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NATIONAL PERFORMANCE REVIEW

Y 4.G 74/7:P 41

National Performance Review, 103-1... NG

BEFORE THE

COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

OCTOBER 21, 1993

Printed for the use of the Committee on Government Operations

JAN 17 1995

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NATIONAL PERFORMANCE REVIEW

THURSDAY, OCTOBER 21, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. John Conyers, Jr. (chairman of the committee) presiding.

Present: Representatives John Conyers, Jr., Glenn English, Mike Synar, Major R. Owens, John M. Spratt, Gary A. Condit, Collin C. Peterson, Karen L. Thurman, Marjorie Margolies-Mezvinsky, Lynn C. Woolsey, Gene Green, Bart Stupak, William F. Clinger, Jr., Al McCandless, J. Dennis Hastert, Christopher Shays, Christopher Cox, Craig Thomas, Ileana Ros-Lehtinen, Dick Zimmer, William H. Zeliff, Jr., Stephen Horn, Deborah Pryce, John L. Mica, and Rob Portman.

Also present: Julian Epstein, staff director; Donald F. Goldberg, deputy staff director; Laurie Cody, professional staff member; Ellen P. Rayner, chief clerk; Carolyn C. Donnelly, staff assistant; Matthew R. Fletcher, minority staff director; and Kevin M. Sabo, minority counsel, Committee on Government Operations.

OPENING STATEMENT OF CHAIRMAN CONYERS

Mr. CONYERS. Good morning. We are here this morning to discuss the implementing recommendations of the Vice President's National Performance Review. We earlier met with the Vice President and have invited today the Director of OMB, Leon Panetta, to join us.

The National Performance Review proposes to change the Federal Government in terms of how it does business, and it is a fairly bold, modern-day attempt to open and streamline the bureaucracy, and it began an important change for this government. And I think we are going to be pleased with the presentation that Mr. Panetta is going to bring.

I have a great interest in the oversight of Federal programs, how Federal employees will be treated. Some implementation legislation considerations, how we get more chief financial officers into the government, and the reorganization authority which would go to the administration, which we may want to share with you. Outside of that, it looks pretty good.

Let me recognize Bill Clinger for his opening comment.

Mr. CLINGER. Thank you very much, Mr. Chairman.

Welcome, Director Panetta, and Mr. Lader. Delighted to have you with us this morning, and for the opportunity to discuss where

we are and where we are going with the National Performance Review.

As I told you, Mr. Panetta, when you appeared last week, most Republicans stand ready to enact the National Performance Review recommendations. In fact, I suggested then the problems you might have implementing the plan would be on the other side of the aisle with regard to a number of these issues.

The first time I spoke in support of the NPR recommendation was when I had an opportunity to deliver the Republican response to the President's radio address. I stated then that the President could look to congressional Republicans as part of their effort to streamline the Federal Government. I still believe that is true, and I hope we can do that with some dispatch.

Mr. Chairman, I would like to take this opportunity to discuss a related issue for just a brief moment.

Yesterday the Justice Department lawyers went before a U.S. District Court judge and admitted the records of the President's health care task force were either not kept or not retained despite court instructions that such records be produced. Without those records the American people may never know the facts surrounding the health care task force, and Congress will never know if there were violations of laws governing conflicts of interest, government expenditures, and ethics rules.

Last March I called for sunshine on the task force. I was eventually joined by House leaders——

Mr. CONYERS. Wait a minute. Hold it. I am with you on that, but we have got a hearing with the Director of OMB right now.

Mr. CLINGER. I just wanted to register my dismay at what was revealed yesterday. I would ask that this segment be entered in the record and I would hope we might discuss a mutual letter to the administration asking for the production of what documents exist.

Mr. CONYERS. You know we always work together.

Mr. CLINGER. Indeed. May I have the statement entered in the record at this point?

Mr. CONYERS. Let me take a good look at it first.

[The prepared statement of Mr. Clinger and the letter referred to follow:]

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COMMITTEE ON GOVERNMENT OPERATIONS
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

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INDEPENDENT

MAJORITY—(202) 225–5051
MINORITY—(202) 225–5074

STATEMENT OF
HONORABLE WILLIAM F. CLINGER, JR.
REPUBLICAN CHAIRMAN

HEARING ON THE NATIONAL PERFORMANCE REVIEW
October 21, 1993

WELCOME DIRECTOR PANETTA. WE ARE ALL PLEASED TO HAVE THE OPPORTUNITY TO MEET WITH YOU TO DISCUSS THE EFFORTS OF THE NATIONAL PERFORMANCE REVIEW.

AS I TOLD YOU WHEN YOU APPEARED BEFORE OUR LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE, I BELIEVE THAT MOST REPUBLICANS STAND READY TO ENACT THE GREAT BULK OF THE NATIONAL PERFORMANCE REVIEW RECOMMENDATIONS. IN FACT, YOU WILL SURELY FIND THAT ANY PROBLEMS ASSOCIATED WITH THESE MEASURES WILL COME FROM THE DEMOCRATIC LEADERSHIP, AND NOT THE MINORITY PARTY.

THE FIRST TIME I SPOKE IN SUPPORT OF THE NPR RECOMMENDATIONS WAS WHEN I DELIVERED THE REPUBLICAN RESPONSE TO THE PRESIDENT'S WEEKLY RADIO ADDRESS ON THE TOPIC OF "REINVENTING GOVERNMENT." I STATED THEN THAT "PRESIDENT CLINTON...[COULD] LOOK TO CONGRESSIONAL REPUBLICANS AS PARTNERS IN THEIR EFFORT TO STREAMLINE THE FEDERAL GOVERNMENT." I ASK, MR CHAIRMAN, THAT THE TEXT OF MY RADIO ADDRESS BE INCLUDED IN THE HEARING RECORD?

MY SUPPORT FOR THE PACKAGE NOTWITHSTANDING, I WANT TO EXPRESS MY FRUSTRATION, AND I BELIEVE THE FRUSTRATION OF MANY ON THIS COMMITTEE, THAT SO MANY WEEKS HAVE GONE BY WITHOUT ANY MEASURABLE MOVEMENT TOWARD ENACTING THESE IDEAS.

AFTER THE REVIEW RECOMMENDATIONS WERE RELEASED, WE WERE PROMISED A SERIES OF MONOGRAPHS AND LEGISLATIVE LANGUAGE DETAILING THE IDEAS. TO DATE, NONE HAS ARRIVED. AS A RESULT, A UNIQUE OPPORTUNITY HAS BEEN LOST TO ENACT THESE REFORMS QUICKLY.

SO WITH THIS MEETING TODAY, LETS ROLL UP OUR SLEEVES AND GET TO WORK. THE VICE PRESIDENT'S WORK IS AN IMPRESSIVE DOCUMENT BUT IT WILL BE JUST ANOTHER FAILED EFFORT GATHERING THE PROVERBIAL DUST ON A SHELF WITHOUT VIGOROUS, SUSTAINED AND BIPARTISAN EFFORTS BY THE WHITE HOUSE AND THE CONGRESS TO IMPLEMENT THE RECOMMENDATIONS. MANY OF THESE IDEAS ARE LONG OVERDUE. WE SHOULD WORK TO ENACT THEM NOW.

JOHN CONYERS JR. MICHIGAN
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INDEPENDENT

MAJORITY—(202) 225-5051
MINORITY—(202) 225-5074

October 21, 1993

Honorable Bernard W. Nussbaum
Assistant to the President and Counsel
The White House
Washington, D.C. 20500

Dear Mr. Nussbaum:

As early as February 1 of this year, Congressman William F. Clinger, Jr. wrote President Clinton to inform him of his concerns regarding the activities of the Task Force on Health Care. That initial letter was followed by correspondence with you and a number of conversations between Committee staff and Vincent Foster in which Congressman Clinger's interest in health care task force matters was expressed.

It is for that reason that we were astounded to learn that in an admission to the District Judge Royce C. Lamberth, the Justice Department has claimed that records relating to the membership, activities, ethics and expenses of the health care task force were either never kept or not retained. This is particularly troublesome in light of instructions by Judge Lamberth that all task force records not be destroyed.

We ask that you provide the Committee with any and all documents prepared by or on behalf of the health care task force. This would include, inter alia, personnel and payroll records, expense vouchers, meeting minutes, agendas, ethics statements, procurement documents, and membership rolls. Include material produced on paper as well as that maintained on electronic data bases, such as E-Mail. Correspondence from citizens to the task force need not be included. We would appreciate receiving this material by 12 noon on Friday, November 12, 1993.

It is our hope that you will make this material available without compelling the Committee to exercise its authorities provided in the rules of the U.S. House of Representatives to compel information. If you require any further information regarding this request, please contact Kevin Sabo, minority counsel, at 225-5074. Thank you for your immediate attention to this request.

Sincerely,

John Conyers, Jr.
Chairman

William F. Clinger, Jr.
Ranking Minority Member

Mr. CONYERS. Leon Panetta, we are delighted to have you here. You have written extensively in preparation for this morning. We will put all of it in the record and allow you to proceed in your own way.

STATEMENT OF LEON E. PANETTA, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, ACCOMPANIED BY PHILIP LADER, DEPUTY DIRECTOR FOR MANAGEMENT

Mr. PANETTA. Thank you. Thank you, Mr. Chairman and members of the committee.

What I would like to do is to briefly summarize the highlights of my testimony, and have Phil Lader, who is my Deputy Director for Management at OMB, speak to some specific issues that involve the jurisdiction of this committee, and then we would be more than happy to answer your questions with regard to reinventing government.

Obviously the goal of the National Performance Review was to try to provide the American people with a more effective, efficient, and responsive government. It is important for us, and we are certainly concerned about the budget side of things, to be concerned about how we reduce the huge deficit that confronts this country, and how we try to restore the resources that we are going to need for our future. There is no question that that is an important responsibility.

But at the same time we do that we also have to keep asking ourselves the question, how do we make government work better for people? There is not only a fiscal deficit that faces this country, but there is also a trust deficit in terms of the American people, and their sense of whether or not we really are committed to making government work. That, I think, was the primary concern of the President when he asked the Vice President to conduct this intensive 6-month review of just how the Federal Government works.

The Vice President organized an experienced team of people from both within government and outside of government. I can assure you this was a very intensive process in which the Vice President met almost every day with either agencies or departments, or individuals or committees that were involved in this issue. It is a massive undertaking, to review all of the agencies and departments of government, and to try to come forward with a comprehensive presentation of how we think government can be improved in terms of its ability to serve people.

The primary recommendations are the ones that are summarized in the report itself. And probably the title of the report really says it all, which is trying to create a government that works better and costs less.

The key recommendations are the following. First of all, cutting red tape. One of the key areas that I discussed a few weeks ago before this committee was the whole idea of trying to streamline the budget process through biennial budgets. We are caught up in this year-to-year process of developing budgets. It creates not only incredible turmoil in the legislative branch, you are now in the process of trying to conclude the appropriations process, and you know the problems that the Congress goes through almost each year in that process. But at the same time that we are doing this,

OMB is already in the process of looking at the 1995 budget, and having the agencies and departments begin to develop and submit budgets with regard to the 1995 process. And before you know it, next year we will again be consumed by the budget process again.

We need to have more time to be able to look at the budget, to do oversight, do the kind of things this committee does with regard to programs. And that is why we make a strong recommendation in reinventing government to develop biennial budgets, which would give us at least a greater opportunity to try to set and stabilize a more long-term budget and to be able to do the kind of oversight on existing programs that can tell us whether or not these programs are working. We don't spend enough time doing that, either in the Congress or in government. That was an important recommendation.

We want to decentralize personnel policy by trying to reduce the amount of time that is involved in terminating individuals at the Federal level. We are heavy in middle management. We are heavy in top management. If we want to move people around who are not doing the job right, we have to go through an incredible process right now to do that. We need to simplify that. We need to be able to bring some outside management capabilities to government.

We need to streamline procurement so that we can try to simplify the procedures associated with the procurement area. We need to look at the regulatory system, both outside in terms of looking at regulations that flow through laws that are passed by the Congress, but we also have to look at internal regulations. We have an enormous amount of internal regulations in each department and agency that consume a horrendous amount of paperwork and an horrendous amount of time.

We need to cut those in half, and that is exactly what the President has ordered, that we cut those kinds of internal regulations in half.

We need to put customers first. Too often what happens in this business, as all of you know—and I speak as a former colleague of yours for 16 years—when you have to deal with people who come into your offices, in large measure it is because government has failed to do the job. The Social Security check that hasn't come on time; a veterans' benefit that is not received; a disability benefit that is rejected; something has gone wrong with immigration; something is wrong with passports; something has happened here, something has happened there. Government has failed the people. And the only place they can turn to is you, and that is when they walk through the door, because they are frustrated or angry about the way they have been treated by a government office, some way, somewhere, somehow.

We need to try to make delivery of services in government much more service friendly to the people we are trying to serve.

We have got to look at areas like the GPO and the GSA and try to get them to compete with private enterprise on a more equal basis. The problem is when we develop these government monopolies, in one way or another, taxpayers pay a price for that. We have got to make them more competitive.

We want to empower employees to get results. We want to be able to give people broader authority at the local level.

One of the problems right now that we found out through this review is that—and it is something, frankly, I think all of us knew, especially Members of Congress—every time you want to get a decision made at the local level, usually the local person says, I am sorry, I can't give you that decision until the regional person answers it. You go to the regional office, who says, we have to wait until Washington gives an answer. Washington says, we are still waiting for the regional office to send the paperwork back here. At some point we have to give people at the local level more authority to make those kinds of decisions.

It doesn't mean we won't hold them responsible. But we ought to give them a little more authority to make those decisions at that level. If everything is brought back to Washington, it automatically clogs the system.

Very frankly, I have to tell you, sometimes the perspective from Washington is not the right perspective when it comes to making decisions at the local level. I certainly found that with regard to disaster assistance, that the people at the local level who are on the scene having to deal with the disaster know a hell of a lot more about what is taking place than somebody who is operating in Washington and looking at the big picture.

Those are the kinds of things we have got to change by giving people more authority at that level.

We have also got to cut back the basics. We have to eliminate unnecessary spending in a number of Federal agencies through consolidating programs that are outdated, and we have to get rid of the programs that don't work. And we have to provide the President with some broader rescission powers.

You have passed a modified line-item veto authority on the House side. We would like to have the Senate adopt that measure so we can get that done and in fact implement more discipline with regard to those kinds of expenditures.

We need to do better in terms of collecting fees and Federal debt collection. We have these debts that are owed the Federal Government and do very little to go out and collect on them. We fight every day to cut programs, cut this program, cut that program, raise this tax, raise this fee, when in fact we have a lot of collectibles out there if we were willing to go out and do that kind of collection.

Those are the key recommendations or areas identified by reinventing government.

Let me just summarize, if I can, the elements of savings that were included in the National Performance Review, and give you some sense also of how we are trying to implement these recommendations.

If I could call your attention to the chart on my left which gives you the status of NPR recommendations, the first area of savings is streamlining the bureaucracy. That essentially relates to the reduction of Federal personnel by 252,000 by fiscal year 1999. That number of $40 billion, $40.4 billion in the report is a very solid number, because it is based essentially on reducing Federal personnel by 252,000.

The President has already issued an order requiring the reduction of 100,000 between now and 1995. The $26 billion there that is in red basically represents the implementation of that order.

The agencies are already beginning to carry that out. We are required to achieve that target by 1995. That $26 billion is pretty much in the pipeline now. The remaining part of that, to get to the $40 billion, a large part of that will have to be incorporated in the 1995 budget.

I have asked the agencies and departments by December 1, and the President has asked them by December 1, to come forward with a plan as to how we achieve the 252,000 reduction over the next 5 years. It is not going to be easy. It is tough. But on the other hand, we think it is doable if we can implement some of the savings approaches included in reinventing government.

The second piece there relates to agency specific savings. These are some of the savings in areas that a lot of the members of this committee are familiar with. For example, savings from programs like wool and mohair, which has already been enacted by the Congress—and we give credit to the Congress for the action you have taken on that proposal—programs like honey, programs to try to consolidate, for example, programs in the education area. There are a number of very specific recommendations.

We intend in the October package that we will present to the Congress sometime next week to identify specifically about $10 to $12 billion of savings with specific recommendations. The remainder of that will be incorporated in the 1995 budget, and we will use, obviously, some of those savings just to achieve the targets, the very tough targets that have been established in the budget that require a hard freeze in all discretionary spending over the next 5 years.

The third part there is the procurement piece. The procurement reforms are something that this committee has been concerned about; your counterpart on the Senate side has been concerned about doing procurement reforms. They have to be done if we are going to try to achieve savings in this area and make it easier for small businesses and others to compete for those kinds of bids.

The $16 billion that is represented in red are procurement reforms that the Defense Department is already trying to implement. As part of their bottom-up review in achieving defense savings, the Defense Department has already targeted about $16 billion of that in procurement savings. They are trying to implement that now, although it will take procurement legislation to really be able to nail those savings down.

The remaining part of that $23 billion is savings that would be included on the domestic side of the ledger with regard to procurement reforms.

The last piece deals with technology changes, trying to be able to provide better technology in government. You know, one of the strange things when I went from the Hill down to the executive branch, I kind of assumed that the executive branch would be far ahead in terms of technology. They are not. The fact is many of the departments have not really even entered the latter part of the 20th century with regard to technology. We don't transfer benefits in terms of our ability to use technology. Even the basic technology

within the departments and agencies does not reflect the most updated equipment.

We need to do that, and in consolidating that kind of information base we are going to achieve some savings. We are going to recommend part of that as within the October package, and we are going to include a lot of those recommendations as well as part of the 1995 budget.

Those are the key areas of savings. So a summary of this chart is that we are moving on each of these areas to try to implement them at the present time. We are going to implement part of them in the October package. We are implementing part of them through Executive orders issued by the President, and we are going to be implementing them as well as part of the 1995 budget submissions.

That takes us to the last chart, if I can briefly summarize that, which is essentially how do we implement each of the pieces in reinventing government.

The President has issued a number of Executive orders. There are 28 Executive orders that we are now working on; 14 have been issued by the President as either Executive orders or Presidential directives.

Just to give you an example of some of those, we have done the order that would eliminate one-half of the internal regulations; that was issued on September 11. We have issued an order with regard to regulatory coordination; that was issued on September 30, to try to improve the way we do regulatory policy. We have issued the Executive order with regard to personnel reductions requesting the 100,000.

So there are at least 14, and I will be happy to present a summary of those 14 orders to the committee.

The second implementation was done in the Defense Department through their bottom-up review. As I mentioned, because we are looking at about $100 billion in savings in the Defense Department over the next 5 years, they have had to look at the procurement area and they have had to look at the personnel area. The fact is a lot of the personnel cuts are implemented at the Defense Department, both on the military side and on the civilian side as well.

The third implementation is the October package which we will submit next week. If I could just summarize very briefly the elements of that package, one, we are going to include in that package the systemic reforms that I talked about. We would like to include the procurement reform measure. We would like to include measures that would help us implement the personnel reductions. We would like to include debt collection reforms; in other words, giving the agencies and departments greater authority to go out and collect debts, and be able then to use those funds for purposes of bringing money back into the department so that they have an incentive to go out and collect that kind of money.

Also, we want to deal with yearend spending. As all of you know, one of the problems in the government is that when an agency or department winds up at the end of the year with some additional money, they spend it because they are worried that if they don't spend it they are going to take a hit in the next budget. That is the wrong incentive.

When it comes to the end of the year and they wind up with savings, we want to give them the incentive to use those moneys within their departments or agencies so we have the incentive to create savings as opposed to the incentive to basically go out and spend it without reason.

We have specific recommendations on savings proposals. As I have mentioned, you have already taken care of the wool and mohair program. We are probably going to go after the honey program as part of our recommendation. Streamlining proposals, both at the Department of Agriculture as well as HUD, with regard to field offices are incorporated here.

We are asking for consolidation of a number of programs that will be incorporated in the package, and we are asking for improved enforcement in a number of areas, particularly, again, in part with collections, but also with regard to other areas to ensure additional savings.

The other piece will be a rescission package. We are doing a rescission package which basically means we are going back through all of the appropriations bills and implementing through rescissions some of the recommendations in the NPR report as well as others. That package will be presented to the Congress, as I said, sometime next week.

On the House side, we have talked to the Speaker about implementing it. The Speaker would give each of the committees a period of time to review the legislation and report back to the Rules Committee, which would assemble that bill and take it to the floor of the House.

My understanding is there would be some amendments that would be allowed to that package but that the House would then vote up or down on this package. It would be sent to the Senate.

On the Senate side, we have a more difficult time trying to work with the rules in the Senate to assemble that package, but we are working with the leadership there to do that.

We are hoping the October package will present to the American people a major step to implement some of the recommendations in this report and also achieve some additional savings.

Those are the key things I wanted to talk about, Mr. Chairman. Obviously to do this is going to take a tremendous amount of cooperation between Republicans and Democrats, between committee chairmen and the administration, to try to get this done. But I think the public expects no less.

It is one thing to put this kind of report together. You have seen a lot of these reports, frankly. We have seen them over the last few years. But actually to take the recommendations and make them happen is the tough part. And what we are asking all of us to do for purposes of the October package, for purposes of the 1995 budget is to work together to make this happen, so we can go back to the American people for the first time in a long time and say we have taken real steps to make government work more effectively for all Americans.

Let me just ask Phil to say a few words with regard to some of the things he has done.

Mr. LADER. Mr. Chairman, I remember very vividly when we first met prior to my confirmation hearings and you looked me in

the eye and said, "Is this administration serious about management?" And Mr. Clinger, you raised the question, when we first got together, "Why can't we run government more like a business, use more businesslike disciplines?"

In response to both your questions, I had our OMB staff prepare some charts for me comparing the size of government agencies with the private sector. And one interesting observation is, if you take the largest organization in the private sector measured by cash-flow, General Motors, it is only one sixth the size of the largest government agency, just single agency, measured by cash-flow. And if you look at No. 10 on the list of the 20 largest organizations in this country by cash-flow, it is the Department of Labor, $47 billion a year. But No. 11 is Dupont. No. 12 is Texaco. Smaller than just the Department of Labor.

And so one response, and part of what the Director has been addressing this morning, is, how do we deal with the problem of management given the scale of the government?

But I would suggest to you there is an additional problem. Another Deputy Director at OMB, who served about 25 years ago in the Nixon administration, wrote a book when he left entitled, "The Hidden Tragedy of Washington." And the thesis of his book was that in this town, everybody loves to talk politics, most people are interested in policy, but virtually nobody spends much time on management.

And I want to thank this committee and your staff because over the last 8 or 9 months, your staff has been constantly in touch with me and my colleagues at OMB to make sure that this administration is serious about management.

And that goes to the National Performance Review. The Vice President's methodology was not to move boxes on an organization chart, but to look at the basic systems that the Director has addressed to you today.

I would suggest to you in summary that the most important of those has to do with people, because people are policy in the Federal Government. And when we are talking about buyout packages or right sizing the agencies, we are really recognizing the quality of Federal employees, the excellent work done by Federal employees who are often given very little credit for their hard work, their savvy and their smarts. But we need to have a right sizing of the agencies, which this October package will help bring about.

The procurement reforms that Mr. Panetta referred to, the fuller use of technology, ways that we can reduce regulation, and improvements in financial management, are of particular interest to this committee. How do we improve not only debt collection, as Mr. Panetta has said, but how do we use the chief financial officers' organizations, the Inspectors General organizations, to hold departments more accountable for the expenditures, for the spending of taxpayer dollars.

Let me conclude these comments with this observation. Everyday life in America has changed for your constituents, for all of us. When we go to grocery stores and deal with bar codes and scanners, when we bank or invest, and we have thousands of funds to choose from and we can move money globally from our home touch-tone phones, and yet that management and technological revolu-

tion which has transformed American life has left our Federal Government virtually untouched. The National Performance Review, the October package, and the orderly unfolding of Executive orders and legislation, some of which you have seen, much of which is about to come, are trying to bring that management and technological revolution into the integrated operations of the Federal Government.

Mr. Chairman, we are very serious about management.

[The prepared statement of Mr. Panetta follows:]

TESTIMONY OF OMB DIRECTOR LEON E. PANETTA
GOVERNMENT OPERATIONS COMMITTEE
OCTOBER 21, 1993

I am pleased to be here before the Government Operations Committee to discuss the National Performance Review.

The goal of the National Performance Review is to provide the American people with a more effective, efficient and responsive government - a government that works better and costs less. Public confidence in the Federal government is at all time lows - there is a tremendous trust deficit. We must prove to the American people that their hard earned tax dollars will be treated with respect.

The National Performance Review began on March 3, 1993 when President Clinton asked Vice-President Gore to conduct an intensive six-month review of how the Federal government works. The Vice-President organized a team of experienced Federal employees from all corners of government to examine both agencies and cross-cutting systems, such as budgeting, procurement and personnel. He spoke with employees at every major agency and sought the views of hundreds of organizations, business leaders and state and local officials.

The President also asked all cabinet members to create Reinvention Teams to lead transformations at their departments, and Reinvention Laboratories, to begin experimenting with new ways of doing business. Thousands of Federal employees joined these two efforts.

The NPR report focuses primarily on how government should work, not on what it should do. Its presents recommendations to improve performance in areas where

policymakers have already decided government should play a role. We spend most of our time debating policy issues, but as the NPR report states: "if the vehicle designed to carry out policy is broken, new policies won't take us anywhere. If the car won't run, it hardly matters where we point it; we won't get there."

The NPR report describes roughly 100 recommendations, while hundreds more are listed at the end of the report. By implementing these recommendations, I believe we can make fundamental changes in the performance of the Federal government. Without fundamental change public confidence in government will continue to spiral downward.

KEY RECOMMENDATIONS

Let me summarize some of the key recommendations of the Report:

Cutting Red Tape

o Streamline the budget process through biennial budgets.

o Decentralize personnel policy by reducing the time it takes to terminate Federal managers and employees for cause.

o Streamline procurement by allowing agencies to make purchases under $100,000 through simplified procedures.

o Reorient the Inspectors General by focussing them on evaluating management control systems.

o Reform the regulatory system by reducing internal regulations and reducing the burden of congressionally mandated reports.

o Assist state and local governments by limiting the use of unfunded mandates.

Putting Customers First

o Set customer service standards and develop one-stop shopping proposals.

o Make government agencies such as the GPO and GSA compete with private enterprise.

o Explore making the air traffic control system into a private corporation.

o Encourage market-based approaches to reduce pollution.

Empowering Employees to Get Results

o Decentralize the decision making power to increase the span of a manager's control.

o Hold Federal employees accountable by developing performance agreements and clarifying the objectives of Federal programs.

o Give Federal workers the tools they need to do their job through better training and by improving information technology.

o Enhance the quality of work by providing greater equal opportunity and diversity.

o Form a labor-management partnership through the National Partnership Council to devise personnel policy.

o Improve leadership through the President's Management Council.

Cutting Back to Basics

o Eliminate unnecessary spending in a number of Federal agencies through consolidation and provide the President with broader rescission powers.

o Collect more fees for Federal services and improve Federal debt collection.

o Improve productivity by allowing agencies to create innovation funds.

o Cut costs by developing an electronic benefits program.

A BUDGET PERSPECTIVE

Scarce Resources and Spending Caps

As you know, the Federal government faces an unprecedented limit on spending over the next five years. Based on the reconciliation bill passed last summer, the new discretionary spending caps keep spending at or below FY 1993 levels for five years. Since FY 1969 discretionary spending has increased every year, so we are facing very tight caps on discretionary spending. This component of the Federal budget includes defense, transportation, research and development, education, health research and many of the basic functions of government. The National Performance Review recommendations will help the President and the Congress meet these caps through additional reductions in spending and more efficient and targeted use of scarce resources to priority investments.

Elements of Savings

I would like to refer you to page 157 of the National Performance review report and walk you through each element of the $108 billion in savings over five years (FY 1995 to FY 1999) to give you our view on how we see implementation of the NPR being carried out.

o Streamlining the Bureaucracy through Reengineering - $40.4 billion over five years: As you know, the goal of the NPR is achieve a reduction in Federal personnel by 252,000 by the end of FY 1999 as various NPR reforms are put in place. We believe that a reduction of 100,000 is assured based on the President's executive order

issued last January. That will achieve $26 billion in savings over the next five years. Plans to implement the remaining personnel reduction are being worked on by Federal agencies and we expect to present a stream of personnel reductions consistent with those plans in the Administration's FY 1995 budget.

o Changes to Individual Agencies - $36.4 billion over five years: These proposals constitute a variety of program reforms in Federal agencies. The Administration hopes to present to Congress in the near future a legislative package incorporating approximately $10 to $12 billion of changes in agency budgets. The remainder of the proposals we hope to address in the FY 1995 budget and through administrative action.

o Reinventing Federal Procurement - $22.5 billion over five years: The defense portion of these reductions, $16 billion, is already assumed in Secretary Aspin's "bottom-up review" of the military budget. Discussions are currently underway between the Administration and the Senate Governmental Affairs and House Government Operations Committees on a procurement package to be introduced in the next few weeks.

o Reengineering Through Information Technology - $5.4 billion: These savings are to be achieved through administrative actions which will consolidate and standardize information infrastructure. We estimate that $1.0 billion of these savings can be

achieved through an electronic benefits initiative currently being developed by the Administration. Also, about one half of the savings here are to be achieved in the defense budget.

o Reducing Intergovernmental Administrative Costs - $3.3 billion over five years: The NPR has proposed that the Federal government's reporting requirements be simplified and reduced. State and local governments could accept a fee for service option in place of existing cost reimbursement procedures in return for greater administrative flexibility.

IMPLEMENTING THE NPR

Let me discuss some of the highlights of what action has been taken so far and the Administration's plans for further implementation of the National Performance Review recommendations, they include:

o Executive Orders and Presidential Directives

o An "October package" including NPR spending reduction proposals, rescissions, and procurement reform.

o FY 1995 budget

o Personnel

o Government Performance and Results Act

o President's Management Council

Executive Orders and Other Presidential Directives

The Administration has issued a number of executive orders and Presidential directives in its effort to implement the National Performance Review.

o Improve Interagency Regulatory Coordination (Executive Order): On September 30 this order was issued to clarify regulatory policy in the Clinton Administration. It provides for yearly meetings between the Vice-President, regulatory advisors and agency heads to coordinate regulatory efforts. The Vice-President will review and recommend resolution of conflicts between agencies and OIRA, the Office of Information and Regulatory Affairs. The OIRA Administrator is directed to convene a Regulatory Working Group with agency representatives to analyze regulatory issues and will meet quarterly with representatives of local governments to discuss Federal regulations with significant local government impact. Agencies must submit to OIRA by December 30, 1993, programs to review existing regulations to make them more efficient and less burdensome. Agencies will designate Regulatory Policy Officers by November 30, 1993 to oversee regulatory actions and ensure that they conform to the President's policies. OIRA will only review significant regulatory actions and will complete the review within strict time limits.

o Eliminate One-Half of Internal Regulations (Executive Order): On September 11 Executive Branch agencies were ordered to undertake elimination of 50% of their

internal management regulations within three years. OMB is to issue instructions implementing this order, including necessary exemptions for the delivery of essential services and compliance with the law.

o Establish Enterprise Board for Empowerment (Presidential Memo): The President's Community Enterprise Board, chaired by the Vice-President, was established on September 9 to coordinate Federal programs available to help distressed communities. The heads of the major agencies will be identifying programs which assist communities in an effort to direct funds for economic development in distressed communities.

o Create Customer Service Programs (Executive Order): On September 11 agencies which provide significant services to the public were ordered to survey their customers and report on the surveys by March 1994. The information gathered on customer satisfaction will be used to judge management performance and allocate agency resources. Agencies will be publishing customer service plans by September 1994 which identify the private sector standards which the agencies will be using to evaluate customer service.

o Expand Authority of Trade Promotion Coordinating Committee (Executive Order): Chaired by the Secretary of Commerce, the Trade Promotion Coordinating Committee was created on September 30 to coordinate trade promotion for the U.S., provide a

central source of information for the business community, and ensure better delivery of Federal government services on foreign trade to U.S. businesses.

o National Partnership Council (Executive Order): On October 1 this Council of government and labor officials was created to advise the President on labor-management relations in the Executive branch. The Council has been directed to propose to the President by January 1994 the statutory changes necessary to achieve needed labor-management partnerships, reform the General Schedule classification system and create a flexible hiring system.

o Eliminate President's Intelligence Oversight Board (Executive Order). On September 13 the Intelligence Oversight Board was subsumed under the President's Intelligence Advisory Board as a standing committee. The IOB will now assume the duties of the President's Intelligence Oversight Board.

October Package

As you know, the Administration is planning to send to the Congress a package of savings proposals next week. This package will consist of ideas generated by Vice-President Gore's National Performance Review and rescissions from FY 1994 appropriations bills. Procurement reform is another element of the NPR we would like the Congress to consider

on a fast track this fall. We will be choosing items from the NPR for the savings package which we think can be enacted in an extremely fast time frame. The package should be seen in terms of a downpayment rather than the end of legislative action on the NPR. It is hoped that such a package will pass the Congress before adjournment.

FY 1995 Budget

We hope to have the bulk of the NPR proposals reflected in the President's FY 1995 budget. In fact many of the proposals in the NPR will involve complex legislation which will take the Administration some time to develop. Other proposals can only be presented properly in the context of an entire budget, for example the proposal to reduce education programs is intended to be offset with an increase in other, higher priority education programs.

Personnel

As you know, the 12% reduction in the Federal workforce - a reduction of 252,000 workers - proposed by the National Performance Review is a very ambitious goal. The President issued an Executive Order last January requiring a reduction of 100,000 workers by the end of FY 1995. The NPR proposes to increase that number by 152,000 by the end of FY 1999. OMB will be encouraging the agencies to refer to National Performance

Review recommendations in developing their personnel plan, including closing or consolidating field offices; reducing management layering; fuller use of new technology; reduction in regulation and red tape in such areas as personnel, procurement, budgeting, and internal management; and enhanced employee training and cross-training. We also plan to present specific five-year personnel levels in the President's FY 1995 budget.

Also, the Administration has sent to Congress a "buyout" proposal offering Voluntary Separation Incentive Payments of as much as $25,000 to selected workers who leave government service. In the House the bill has been introduced as H.R. 3218 and hearings have been held in the House and Senate on this issue. This legislation is critical to our effort to reduce the number of personnel in government and it is our hope that it can be passed as soon as possible.

Government Performance and Results Act, S. 20

Signed into law by the President last August, S. 20 is an important step toward measuring the performance of Federal programs. OMB will soon designate a set of agency pilot projects which will experiment with methods of measuring government performance. I want to congratulate the Congress for moving this legislation so quickly. As you know, one of the frustrating aspects of making budget decisions is that we do not have good information on well Federal programs work. The Government Performance and Results Act will eventually help us make more informed choices about budget priorities.

President's Management Council

On October 1 the President created the President's Management Council. Headed by my Deputy Director for Management Phil Lader, the Council will be retooling management systems throughout the Executive Branch. Each agency head will be designating a Chief Operating Officer with agency-wide management authority. The Council will be engaged in 1) personnel downsizing, 2) developing plans to reduce field offices, 3) improving training for Federal employees, 4) implementing the performance measures required by the Government Performance and Results Act, and 5) where appropriate implementing other Administrative proposals from the National Performance Review.

Deficit Reduction and Investment

An obvious question is what NPR savings can be used to reduce the deficit. First, I would hope the Committee and the Congress look at the NPR as a way to make government perform better, it is not first and foremost a deficit reduction exercise. Our priority must be to better use the resources we now have, to give the taxpayer his or her money's worth - this is the focus of the NPR.

Second, to the extent we have savings identified by the NPR we should ask whether they should be used for investments. For example, there are billions of dollars of cuts identified in the NPR for education, but they are specifically reserved to offset increases in higher priority education programs.

Third, it is essential that a portion of these savings be used to meet the discretionary caps under the budget. Cuts will have to be identified to reach those caps. Some of the NPR cuts may have to be used for that purpose. You also have special cases like defense which has already assumed procurement and personnel reductions in its bottom-up review.

Fourth, as we move beyond these issues there may be opportunities to dedicate NPR proposals passed by Congress to additional deficit reduction.

We should proceed carefully and rationally on this question.

Again, I appreciate the chance to discuss the National Performance Review with the Government Operations Committee. Implementing the NPR will be a tremendous task, but I think the rewards to the American people will be considerable. I look forward to working with you as the next steps are taken on the National Performance Review.

Mr. CONYERS. Thanks, Phil. We appreciate the energy and the dedication that both you and Director Panetta bring to this otherwise dry subject. I am happy to have you start off the conversation.

Now, my confidence has been seriously impacted when I found that the President of the United States was circulating a letter up on the Hill yesterday explaining to us why the National Endowment for Democracy is critically needed. He asked for $50 million for the NED after it had been defeated in the House. They were hitting up the Democrats, I don't know what they did to Republicans, but they had X Congressmen, some of our best buddies, Leon, friends of the White House, I mean, this place was circled. Those votes got changed. I mean, NED still lives.

We are here this morning to talk about how we are going to reinvent government, take apart every agency. Foreign Affairs—the State Department uses not billions but trillions of dollars promoting democracy, I suppose, I hope, and yet we were able to get President Clinton down to $35 million on the NED, and we got it through. It is alive and well, and now today you tell me that we are going to hit them hard as we reinvent government.

So, Phil, look me in the eyes again and here we go—this is every time I see you—how, how can I keep the faith? How can I keep hope alive like Jesse Jackson wants us to, when I keep running into this situation?

Bill Clinger comes running in here this morning—he wasn't frantic but there was an emotional tone in his voice about the fact that Mrs. Clinton has been running a task force on health care and they just told the judge yesterday they don't have any records.

And yet, you are giving us a very persuasive pitch here. Is the White House going to be included in this new reinventing government situation?

Because this is disquieting. And I fail to understand—I mean, they spent a lot of that $35 million on NED just campaigning to keep it alive. And it was unseemly. I know you weren't involved in that, but you are in charge of this program, you and the Vice President. So accountability has got to start at the witness table.

Mr. PANETTA. As I recall, I was probably on your side of the issue when I voted on that question in the Congress. There are obviously going to always be differences about priorities.

One of the problems, John, as you know, in this business is that one Member's waste is another Member's program and necessity. And so there are always going to be different views of spending programs and what programs work, what programs don't work, what programs involve waste, what programs are effective. And that is the way it should be. There are a lot of differences among the members of this committee as to programs we should spend money on and programs we shouldn't spend money on. But that is a healthy debate, and there will always be those differences.

But keep hope alive, John, because the fact is yesterday the Congress went ahead and did something that Mike Synar has been fighting for for a number of years with regard to grazing fees. I think that is an indication that if you fight long and hard enough on issues like that, that ultimately you can make it work.

The same thing is true, for example, on wool and mohair. It has been a program that has been talked about for a long time, as to

whether or not we could achieve savings on that. Congress in fact has done that.

The fact is that you yourself for years talked about the need for additional savings in the defense budget. We are now looking at a defense budget that has gone down by in excess of $100 billion over these next 5 years. Some like that, some don't like that. But the fact is it is happening.

So I think the key here is for people to keep working together on these kinds of issues. We will find ways to be able to achieve the kind of savings we are talking about if we are willing to keep talking to each other.

Mr. CONYERS. Thank you very much.

Bill Clinger.

Mr. CLINGER. Thank you, Mr. Chairman.

Thank you, gentlemen, for kicking off, if you will, following on the Vice President's appearance yesterday, on the National Performance Review.

Let me just say in regard to the issue that the chairman said, I was a mite disturbed on. If we are talking about reinventing government, I hope that doesn't mean we are not going to keep records of any sort. It seems to me the First Lady's task force kind of took the Paperwork Reduction Act to the extreme. We don't seem to have any records of who was working there, what conflict of interest might have been involved, who was paid or how much. It really is a fairly—very disquieting, in my view. I hope the chairman and I can work together to try to get to the bottom of that.

With regard to where we are, and perhaps I missed this in the testimony, obviously a fair amount of what we are going to be doing in terms of reinventing government is going to have to be done legislatively. Do you see that as a one-bill proposal? Are we going to see a number of proposals we would be dealing with up here? Can you give us a sense of timing of this package?

Mr. PANETTA. On a package that is this large, obviously there are some areas that I think will require special attention just in developing the proposals. For example, one of the issues here was trying to deal with some kind of reform in the disaster assistance program. That is going to take some time to work out. I think what we would like to do is begin work on that and incorporate some of that in the 1995 budget. There are some other areas that present similar challenges.

The one package that will implement this legislatively or at least a portion of this will be the October package. What we tried to do in that package is basically select out some of the most important ingredients of reinventing government, particularly on the systemic side, reforming the debt collection process, reforming the enforcement processes in a number of departments and agencies, trying to consolidate some programs, doing the kinds of things we think ought to be able to be done and passed by the Congress hopefully before the end of this session. So we would like to fast-track that if we can within the next few weeks.

That is really the kind of legislation that we will try to get us on the right track on this. We have to continue this process obviously in the 1995 budget. A lot of this will be identified as essential savings that will have to be incorporated in the 1995 budget. And

there may in fact be some of this that may operate on a separate track. We will just have to work with the Congress on that.

The answer to your question is that there is a lot of this that has to be implemented legislatively. There is a portion that can be enacted through Executive orders, and the President will do that where he can, but some of that we can enact administratively just within the agencies based on powers they already have. Then obviously there is some of it that will be in the 1995 budget.

Mr. CLINGER. Thank you.

One of the things that I think is going to be involved in this process or hopefully be involved in this process of reinventing government is that we would stop being such a busybody in telling State and local governments what to do without giving them resources to do that.

I know in the National Performance Review, the concept of dealing with this is mentioned and referred to. Do you anticipate that that will be part of the package?

There are a number of bills introduced up here—I have one of them that would require a look back at what is on the books and what can be done away with. Others have proposals on how we can limit additional unfunded mandates. Have you looked at any of these? Do you think that the administration would be supportive of any of these?

Mr. PANETTA. I don't expect that that particular part of it is going to be part of the October package only because—and it is not because we aren't interested. We have a task force that we have established within the administration to look at the whole issue of unfunded mandates. As you know, it is a complicated issue. It is not easy to just simply say if you don't have the funds, don't enforce the law. And that is something we have got to look at.

On the other hand, it is also important to say to local governments if we don't—we ought not to continue to issue mandates unless we are prepared to put the funds in to help support that. One of the things we are looking at is a process whereby when we look at mandates, both within the executive branch and the Congress, is that we have to in fact determine whether the funds are there to implement them.

In other words, let's be honest with people in terms of whether or not, you know, if we are going to issue a new mandate, if we are going to establish a new regulation or new requirement, we have got to be willing to commit the resources to make that happen. Otherwise, frankly we don't get a lot done in this business. We basically create a tremendous amount of frustration at all levels.

So that is the kind of task force we are looking at within the administration to try to look at that issue.

Mr. CLINGER. Thank you.

I think also, looking back at where we are, there is a lot of dead wood out in that I think serves no useful purpose, at least that is our perception.

Mr. Chairman, I have other questions, but we have a large number of Members here. Could I ask at this point that all Members would be able to submit questions for the record?

Mr. CONYERS. Absolutely.

Chairman Mike Synar.

Mr. SYNAR. Thank you, Mr. Chairman.

As one who came to Congress to reinvent government, I am glad we are here today to discuss just that.

Leon, as chief original cosponsor with me of the bill that requires the President, in his annual budget, to identify the fair market value of all subsidies, land leases, and giveaways, do you think that proposal should be included in any budget-related reform package? Do you still unabashedly endorse that proposal?

Mr. PANETTA. I think I exercised good judgment when I cosponsored it and I think it still has a great deal of merit.

Mr. SYNAR. Great.

Mr. Lader, I understand that yesterday you gave quite a speech to the representatives of the "656 Committee," the Federal Government's interagency committee on Federal energy management. Right before you spoke, Secretary O'Leary held up a copy of a rebate check for over $1 million from PEPCO for the retrofit of the Forrestal Building. Are you aware of that check?

Mr. LADER. I am aware of the program. I did not see the check. I was not at that event.

Mr. SYNAR. I will ask the clerk to give you copies of some minutes from the "656 Committee" meeting of August 25, 1993, about the actual problems in the programs despite all the speeches.

I ask unanimous consent that these minutes be made part of the record.

Mr. CONYERS. Without objection.

[The information follows:]

MEMO OF RECORD
INTERAGENCY ENERGY MANAGEMENT TASK FORCE
Retention of Savings Working Group
U.S. Department of Energy, Room 3E-033
August 25, 1993
8:30 to 9:45 a.m.

Mr. Mark Ginsberg, Director of DOE's Office of Federal Energy Management Programs, opened the meeting with a brief summary of the issue of retention of savings by Federal agencies of cost savings resulting from energy efficiency projects. He noted that DOE's General Counsel issued an opinion in 1991 that existing legislative language could be interpreted to allow DOE to retain rebate money accrued as a result of energy savings projects and put into a fund for future energy efficiency projects. (See handout.) Mr. Richard Wickman of NASA replied that counsel for his agency interprets the 1991 DOE opinion to be superseded by language in the Energy Policy Act of 1992 (EPACT). NASA is still unable to retain rebate money without having its budget cut the following fiscal year, thus removing an incentive for performing energy efficiency projects.

Mr. Ginsberg referred to Section 546 (c)(5)(A) of the National Energy Conservation Policy Act (NECPA), as amended by EPACT, regarding utility incentive programs. The NECPA language specifies that:

> "An amount equal to fifty percent of the energy and water cost savings realized by an agency (other than the Department of Defense) with respect to funds appropriated for any fiscal year beginning after fiscal year 1992 (including financial benefits resulting from energy savings performance contracts under title VIII and utility energy efficiency rebates) shall, subject to appropriation, remain available for expenditure by such agency for additional energy efficiency measures which may include related employee incentive programs, particularly at those facilities at which energy savings were achieved."

He suggested that it is the phrase, "subject to appropriation" that confuses the issue and suggests that comptrollers may take the savings and redistribute it elsewhere, or cut future budgets in response to current savings. He asked Mr. Wickman if a generalized statement should be issued for appropriations. Mr. Wickman responded that NASA drafted such a statement, forwarded the language to the Office of Management and Budget (OMB) for consideration, and is working with OMB analyst, Mr. Jack Fellows to incorporate the language into future appropriations legislation. Mr. Wickman said that OMB accepted the language, and NASA expects Congress to include it in its FY 1994 appropriations package. Mr. Ginsberg asked if OMB was going to apply the language to all Federal agencies. Mr. Wickman did not know, and he noted that the NASA language was drafted to apply only to rebates, not to other types of savings.

Mr. Will Lintner of DOE's In-House Energy Management (IHEM) Program stated that DOE has taken a path parallel to that of NASA to try to retain rebate money for future projects. He suggested that a barrier to progress is the resistance of DOE comptrollers, who view the rebates as a small part of the overall budget picture for the agency. Because the amount of money in question is relatively small, it does not warrant the drafting of special appropriation language, according to the comptrollers. Mr. Ginsberg said that the FEMP office may follow up with IHEM and the DOE comptrollers to show that such language is necessary. Mr. Jim Jones of the General Services Administration remarked that GSA has the authority to retain rebate money in a revolving fund for future projects. He also noted that the Public Buildings Fund is not appropriated, so GSA does not experience the appropriations problems faced by other agencies. GSA retains money from both energy and recycling projects. Mr. Ginsberg responded that GSA is unique in this aspect. Mr. Jones said that only the rebates can be retained, not the savings.

To resolve the issue of appropriations, Mr. Ginsberg noted a need to update the 1991 interpretation of legislation regarding the retention of savings. The language proposed by NASA might be recommended for all agencies if it passes Congress.

The three main types of savings which may be subject to retention are:

- rebate retention;
- savings from other operations; and
- Governments' share of savings from energy savings performance contracting.

Rebates

Mr. Ginsberg said that if NASA's language is incorporated into appropriations packages for all agencies, then the issue of rebate retention should be resolved. Mr. Lintner asked if DOE comptrollers would cut future utility budgets if the agency reduces the amount of money it spends on utilities through energy efficiency projects and savings. Mr. Ginsberg responded that according to Mr. Randy Steer of OMB, budgets would be cut. He added that although this view is short-sighted, OMB's interpretation has been presented to some members of Congress.

If the ability to retain savings is to be a real incentive, Mr. Ginsberg noted, then the money saved should go back to the specific facility where the savings occurred, and if possible, to the control of facility managers or others who helped to achieve the savings. Mr. Jones responded that the problem with retaining savings at the facility level is the minuscule size of funds involved in the eyes of agency comptrollers. He suggested that any language developed to allow agencies to retain savings should be flexible enough to allow agencies to distribute savings as they see fit.

Mr. Ginsberg suggested that a minimum dollar amount could be established so that any amount below the minimum would be aggregated regionally and distributed where it would be most beneficial. Mr. Mark Ewing of GSA agreed with that suggestion, noting that regions should have the power to distribute the savings. Mr. Ginsberg said that OMB would need to come up with a mechanism for establishing a minimum amount and for the regions to distribute savings from rebates. Mr. Jones added that GSA is faced with a similar situation in dealing with rents. Rental rates vary from one area to another, and in particularly high rent areas, the costs for operating buildings exceeds the amount of rent collected from agencies. GSA redistributes excess rent money from one area to another to even out its costs. He suggested that this process might be seen as a precedent for the redistribution of rebate money.

Energy Savings Performance Contracting

Ms. Joan Stone of FEMP stated that she has been working closely with Federal agencies who are upset about being "rewarded" for their energy efficiency efforts by proportionate cuts in their budgets. She suggested that the ability to retain their savings at the facility level may partially solve the problem and provide an incentive to energy managers to save energy, but, this is only a partial solution and is no incentive if the money does not get back to the people who implemented the program.

Mr. Ginsberg reiterated that OMB is looking into establishing a baseline and setting up a revolving fund to redistribute savings within an agency. In addition to the retention of savings, other incentives could include positive reinforcement of employees during performance reviews and cash incentive rewards for facility managers. The most appropriate incentive, however, is for the facility manager to retain the savings at his facility. Mr. Ewing said that GSA actively pursues energy projects that can utilize utility-sponsored rebates, simply because facilities can retain the rebate money.

There are both practical and procedural problems with the retention of savings. Mr. Ginsberg said that the retention of savings not related to rebates is particularly complicated. He asked Ms. Stone if retention of savings from energy savings performance (ESP) contracts could be handled in the contract language. Ms. Stone responded that it can be incorporated into the contract in some respects. If the savings is vulnerable and unlikely to be available to the facility that implemented the ESP projects, then it may be advantageous for the facility to simply take the savings and pay it directly to the contractor, thus shortening the length of the contract and the time over which the agency must share the savings with the contractor. The facility could reduce the Government's share of the savings to zero in the first year, but pay off the contractor in a shorter amount of time. She added that a tremendous problem with the ESP program is the inability of facilities to retain the savings.

Mr. Mike Sazanov of USDA and Mr. Ewing said that regardless of the facility's ability to retain the savings, it still shows up to comptrollers as a savings, and budgets are cut accordingly. Mr. Neal Strauss of DOE's General Counsel replied that agency comptrollers would be going against the intent of EPACT if they redistribute savings. Mr. Ginsberg suggested that OMB be made aware that clarification is needed to allow agencies to retain savings. Mr. Strauss said DOE could write an interpretive rule and send it to OMB to "force the issue", and that there may be ways to structure contracts creatively so that the retention of savings can be achieved. Mr. Strauss commented that the language proposed by NASA crystallizes the issue. If implemented as expected, it would solve the problem of retaining rebate money.

Mr. Wickman suggested that all agencies may have to submit similar language to OMB, and Mr. Strauss said he thought OMB would consider approving the NASA language for all agencies. Mr. Ginsberg said that he would ask the Task Force to notify OMB that NASA's language should be incorporated for all agencies. Mr. Wickman stated that the ability to retain savings should be implemented at the agency level and not at the facility level for NASA because, otherwise, process energy would impact energy conservation at non-process sites. Mr. Ginsberg clarified the issue, stating that the goal is to get money back to the facility where savings occurred, but that each agency should have its own mechanisms for distribution of savings in order to remain flexible. Mr. Ewing said that savings coming back from energy projects arguably could be put to better use if it were pooled rather than distributed individually to the facilities that generated the savings. Mr. Ginsberg responded that each agency has its own circumstances, but the idea is for facility managers to see the results of their energy-saving efforts. Mr. Sazanov countered that the overall intent is to save the Federal Government money, and it should not be necessary for each facility to retain savings as long as the Government is benefitting. Mr. Ginsberg replied that 50 percent of the savings does go back to the Treasury, but that the facility manager who implemented the successful program should see some appreciation for his success. It should, however, be left up to each agency to determine the distribution of savings. A process is needed for agencies to retain savings that will be acceptable to OMB and still targeted to achieving the mandated reduction goals.

Mr. Lintner remarked that money retained by an agency can be used, at least partially, to fund non-traditional energy projects that would not otherwise be funded.

Mr. Ginsberg suggested that the greatest problem regarding retention of savings is with the agency comptrollers, and that the use of proposed NASA language on rebate retention should be helpful in resolving the problem.

Mr. Wickman said that he would also like to get clarification on the matter of turning over a rebate check to ESP contractors to pay them off more quickly. Two issues involved are the percent of savings retained by the contractor according to contract language, and whether the language is flexible enough to allow an agency to pay off the contractor early. Mr. Ginsberg added that water conservation was added by EPACT as a new ingredient in the equation and will have to be addressed also. Mr. Wickman recalled that the Department of Defense has a detailed process for handling potential savings of energy and water based on consumption data.

With a pledge to bring the issues discussed to the full Task Force meeting in September, Mr. Ginsberg adjourned the meeting at 9:30 a.m.

Respectfully Submitted,

Mark Ginsberg, Executive Director
Interagency Energy Management Task Force

ATTENDEES

NAME	AGENCY	PHONE	FAX
Bob Brown	Westinghouse Hanford/DOE	202-586-4536	202-586-0233
Mark Ewing	GSA/PMFE	202-501-4316	202-501-3926
Mark Ginsberg	DOE/FEMP	202-586-5772	202-586-1628
Lou Harris	DOE/FEMP	202-586-9794	202-586-8134
James B. Jones	GSA/PBS	202-501-1636	
Will Lintner	DOE/IHEM	202-586-3120	202-586-0233
Kelly McNulty	ASI	703-243-4900	703-524-6237
Vanna Ortiz	ASI	703-243-4900	703-524-6237
Michael Sazanov	USDA-OO	202-720-2804	202-720-5019
Joan G. Stone	DOE/FEMP	202-586-6746	202-586-1628
Neal Strauss	DOE/GC	202-586-9507	202-586-4116
Rich Wickman	NASA	202-358-1113	202-358-3866

Mr. SYNAR. Mr. Lader, even though Congress has expressly provided in last year's energy bill a provision, in which was written by this committee, that the agencies could keep up to 50 percent of the savings and rebates they get from energy conservations, investments, OMB has now told the agencies that they can't. In fact, OMB has told the agencies their budgets will be cut by every penny they save.

Will you tell me, Mr. Lader, how you can ignore the statute and the clear intention and direction of this committee.

Mr. LADER. As I discussed yesterday at the group to which you referred, OMB shares the commitment to the Congress and this committee particularly in trying to increase energy efficiency. The difficulty, as Mr. Panetta said earlier, is we are trying, with a set number of funds under the Budget Enforcement Act, to make sure we are addressing all these competing concerns. So we believe very——

Mr. SYNAR. I asked you how you can ignore the clear intent of the statute and the direction of the committee. Is that not clear intention of the statute?

Mr. LADER. Let me please refer this matter to our staff and discuss further how in fact the competing priorities there may be best addressed.

Mr. SYNAR. Let me pin you down. Is the statute not clear enough for OMB to understand—that 50 percent of all the savings is to be given back to the agency?

Mr. LADER. I will have to get back to you on that question.

[The information follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

October 29, 1993

NOV 0 1 1993

Honorable Mike Synar
U.S. House of Representatives
Committee on Energy and Environment
Washington, D.C. 50515

Dear Congressman Synar:

I appreciate your interest in energy efficiency in Federal facilities. This was one of the President's Investment Initiatives in the FY 1994 budget, which requested $244 million for energy conservation programs in Federal buildings. The Administration's request represented a substantial increase over previous budget requests in this area--almost a 50 percent increase over FY 1993.

As you know, there are two types of monies that the Energy Policy Act of 1992 authorizes agencies to retain, and both are subject to appropriation. The first is direct rebates -- funds returned to agencies -- from utility companies and others for energy conservation investments made by the agency. The second is a hypothetical savings based on what the agency "would have spent" if conservation measures had not been taken.

Some agencies, such as the General Services Administration (GSA), currently have receipt accounts that can be used for the retention of rebates. Other agencies need appropriation committee action to establish new Treasury accounts for this purpose. The National Aeronautics and Space Administration (NASA) appropriations language, which was referred to in the hearing, was approved by Office of Management and Budget (OMB). This language addresses only rebates, and it allows NASA to keep half of any rebates it receives. We have also agreed with other agencies, such as the Department of Energy (DOE), to seek the same authority although the language did not make it into the final conference bill. We would support such language for all agencies in the FY 1995 appropriations cycle, or even for FY 1994 if an appropriate legislative vehicle could be found.

The direct appropriations requested in the President's FY 1994 budget for energy conservation activities in Federal buildings is part of an Investment Initiative for the four largest energy-using agencies: Department of Defense (DOD), DOE, GSA and Department of Veterans Affairs (DVA). The intent was to focus responsibility and accountability on those agencies, which use the

most energy. Department of Defense, alone, consumes approximately 75 percent of all energy used in Federal buildings; the four agencies combined account for about 93 percent of Federal building energy use. In addition, the President requested funds for a central investment account that would be administered by DOE on behalf of all of the smaller agencies.

As you pointed out, the Energy Policy Act of 1992 authorized agencies to retain all their estimated budget savings from energy conservation investments in Federal buildings. The President's FY 1994 budget assumed these savings were used for deficit reduction.

I hope this letter satisfactorily addresses your questions. Thank you for your interest.

Sincerely,

Philip Lader

Mr. SYNAR. The comptroller of NASA, and apparently some other comptrollers of the agencies, have been interpreting the language of the statute on retention of energy savings to require specific appropriation authority in every single agency appropriation bill before the agency can keep the savings. As it turns out, OMB is aware of this problem.

According to the minutes at the August 25 meeting, OMB has been working with NASA to adopt a rider in their appropriations bill—not all the appropriations bills—just NASA's.

Now, this is a governmentwide program, I think you would agree. So why shouldn't you be addressing this on a governmentwide basis?

Mr. LADER. I assure you that energy efficiency is being addressed through OMB and through the interagency task force on a governmentwide basis, and I look forward to working closely with members of staff you designate to find out where you think there is a deficiency.

Mr. SYNAR. When we wrote that provision, since you may not have been familiar with it, we meant that unless the savings was subject to some contrary direction in an appropriations bill, the agency would retain those savings.

Have you or anyone at OMB asked the authorizing committees what they think that provision means?

Mr. LADER. I have not. I can't speak for everyone else, but I would be very pleased to follow up immediately this afternoon on that.

Mr. SYNAR. Leon, let me go to an area of great concern to me. I know you as an oversight person too must share this concern, and that is that under the Vice President's report he suggested the role of the Inspectors General should be changed from a focus on rooting out fraud, abuse, and waste toward program evaluation. Isn't that what program managers are for; isn't that their responsibility?

And second, isn't that recommendation really undermining the job they were sent to do, which is to find the fraud, abuse, and waste?

Mr. PANETTA. I think I am going to let Phil who oversees the IG implementation, speak to this.

But my view of this is that we ought not to in any way—and I don't think the report in any way should undermine the ability of the Inspectors General to do the job that was required of them by Congress. They, in fact, have the responsibility to look at these agencies, determine where there is abuse, determine where there are problems.

Obviously, in part that creates a problem with regard to individuals within each of these agencies and departments who then view the IG as somebody who is not working with them. And I think that in part was the concern that was reflected in the report.

My view of this is that the IGs ought to continue and should continue their responsibilities. Our hope is they will work as closely as they can with the departments and the agencies in reviewing these programs and in working with the personnel. But in the end, if you have to choose between an IG as someone who is going to do his job to oversee the process versus somebody who is going to

Mr. LADER. I might add that I don't think that the only two options are being a junkyard dog and a management consultant.

Within the last 3 weeks I have met with all the Inspectors General twice. The second meeting with Senator Glen emphasized that the National Performance Review is not suggesting that the statutory responsibilities of the Inspectors General be either abandoned or diluted, but in terms of attitude, spirit, tone, the way they could perhaps be more effective is to find specific cases and find the systemic problems so changes can occur more broadly and not simply be perceived as a matter of playing "gotcha."

Mr. SYNAR. But I want the junkyard dog and so do most Members of Congress, and that is why we created the IG's.

Mr. LADER. We propose no abandonment of that statutory duty.

Mr. CONYERS. Thank you, Mike.

The gentleman from California, Mr. McCandless.

Mr. MCCANDLESS. We are from the Federal Government and we are here to help you. Now that I have said that, let's talk a little bit about the executive branch and some of the major departments of the executive branch.

Recently this was brought to my attention more than ever by an experience where in California we dealt with a field staffer who in turn reported to a regional director. The subject progressed to the program director in Washington, who in turn reported to a deputy assistant chief of staff, who in turn reported to a deputy assistant, who in turn reported to an Assistant Secretary, who was responsible to the Under Secretary, who had to check with the Secretary. It would appear to me there is something wrong there and that we need to take a look at that.

You talked about this kind of quickly. This is an executive branch that has gotten totally out of control, irrespective of party affiliation or President.

When General Motors was selling all kinds of cars and we talked about the private sector, they became fat, dumb, and happy and had a lot of people on the payroll. Now General Motors is having trouble making its payroll. They had to take steps to correct it. Government doesn't seem to have that problem, and you related to the private sector in giving examples of how government relates in size to some of the major industries.

That part of the executive branch and how we have grown is something that just has to be addressed. And I am here to help. I don't care what you are, Republican, Democrat, Independent. This has to be addressed. When we talk about the salary of an Assistant Secretary or someone else, we are talking about the support resources also. We are also talking about travel and other factors, which increase the cost of that individual when it is not essential to the process.

One other thing I would like you to address is that one of the reports that impressed me in recent years was the Grace Commission report. I think there is something like 36 out of over 300 of those recommendations that have ever found fruit in terms of implementation. I would suggest that maybe that ought to be brought back off the shelf, dusted off, and someone ought to take a look at that.

With respect to the number of people and what the future holds, I have real concern about the implementation, whatever the structure may be, real concern about the implementation of the health program, and the bureaucracies, and the duplication of already existing avenues of administration in HHS. It would appear to me that is going to need to be very carefully studied, because we talk about the reduction of people, but if we go back and duplicate and do not assign people who are already in the system, we are going back to the old way rather than looking at a new way in national performance.

Maybe you would like to comment on some of those, or you just want to listen to some more.

Mr. PANETTA. No, I am happy to comment on each of those.

The first point I talk about in my testimony, and I think you are absolutely right, and I have been a victim of it just like you have been in trying to get decisions made that wind their way through the bureaucracy when you need an immediate decision. Ultimately what you have to wind up doing is call the head of the agency and say, please look at that issue and get me an answer, rather than have it drag on for months because it is working its way up the bureaucracy.

The point of what we are trying to do is give greater authority to officials at the local level so they can make those decisions. We will hold them responsible. As I said, you can't eliminate the responsibility for the decisions they make. But they are appointees there, they have responsibility, and they ought to make some of these decisions. That is why they are there.

If a private company or business operated on this basis, they would never get any decisions made. They would never be able to move anywhere. You have to give people authority, but you have to be willing to act against them if they screw up. That is the key here.

Mr. MCCANDLESS. The point I had reference to was the number of people and the steps necessary. This was not unique to this one experience. I have had experiences in other departments that relate to this.

Mr. PANETTA. Part of the problem, as you know, is this, that if there is a problem, if something happens and it hits the papers and people get concerned because something went wrong somewhere, what happens here in Washington is we then suddenly, based on that headline, move a bill, pass a law, implement a whole set of other requirements to try to get at that one problem.

In part that is the way this monster has developed, is because every time something goes wrong, we react to it politically, it is the nature of the process, and suddenly we develop a whole new system that has to be put in place. I think in large measure that is the problem we are facing on procurement, is that everybody had a little other piece they wanted to add to the procurement process.

The key is that we have got—we want to act to deal with people that commit errors in the process. But rather than having to pass a new law or a new operation or create a new system or create another something to go after it, we ought to be willing to act against those individuals that screw up. That is what the private sector does. That is not what we do. Instead of reacting against the per-

son who screws up, we create a whole new process to try to somehow deal with that mistake.

Mr. MCCANDLESS. When a new administration comes in, it is a beautiful time to take a look at 14 Assistant Secretaries and reduce it to 7, or whatever the numbers may be. It is ideal, and I think the timing is excellent here, because they are political appointees, in most cases, and not career people.

Very quickly with the time I have left, we are concerned and have held hearings here about the actions of the President relative to his concept of what the Drug Czar is supposed to be doing. We have real concern that the Drug Czar is only there for purposes of public relations, and not for the purposes which the Congress originally intended, of coordinating all of the various Federal antidrug activities.

I would hope that you and Mr. Lader would take a look at that. If we are not going to give that Drug Czar something to do and give him the responsibilities to follow up, then let's do away with it and figure out another way of handling it, through Justice or some other department.

Mr. PANETTA. Let me tell you, that kind of points out the kind of problem we often deal with in this area. It is like Assistant Secretaries, when you talk about trying to eliminate some Assistant Secretaries, somewhere, somebody, somehow, some way was responsible for creating that Assistant Secretary. The first thing you are going to run into when you try to eliminate them is somebody will say up here, we can't eliminate that Assistant Secretary because we developed a law and requirement that that Assistant Secretary should be here.

I have been running into this with regard to a number of provisions where we think reauthorization ought to take place. The drug area is one place. The fact is there is no reason why we can't implement—during the last administration, during previous administrations, the symbol of the drug war became the establishment of this office with a lot of people who are walking around in circles as somehow the indication that we are doing something about drugs.

And we can't fall victim to that. We have got to be able to say, look, what people do we need, can we eliminate some of the fat and the overhead in this operation, can we eliminate some of the people who are just sitting around doing nothing, and really get people in there who are doing the job. We have got to have the authority to do that.

But I have to tell you that every time we try to do something like that somebody says, oh, wait a minute, that is an indication that you are somehow weak on drug enforcement. The fact is, if we tighten up on some of these operations we will do a better job in terms in the drug area.

That is what we have seen take place in government, is that every time we have an emphasis on some kind of policy area, the symbol of whether we are successful or not is whether we have put 300 people in there to do the job. Baloney. We don't need that many people. We just need a few committed people to do the right job.

Mr. CONYERS. But what he is talking about, Al McCandless is the ranking member of the Legislation and National Security Sub-

committee which has the job of reauthorizing a position, and Lee Brown is a venerated figure in Government Operations.

Mr. PANETTA. You bet he is. He is a good person.

Mr. CONYERS. But he just got Cabinet status and he got his department literally taken away from him. So he will be sitting up there with less people than I have in the Government Operations Committee trying to resolve a dispute——

Mr. MCCANDLESS. We shouldn't bring that up as an example.

Mr. CONYERS. This is a very bipartisan committee of staff that we have here. I was talking cumulatively. We are looking at a Drug Czar who is now charged with making very good changes. The only thing is he will be sitting between the head of the Pentagon and the Secretary of State on a drug policy dispute, and I don't think it is going to work out in the real world. I mean, putting him in the Cabinet and taking away his staff is something that the other body is now beginning to look into. We raised it earlier.

And I think it requires, without taking away any of the validity of your response, I think it requires you to look at what is going to happen. He is going to have to tie it to the omnibus crime bill, which is on a completely different track, and I don't know if they have even asked Lee Brown about it, and I am not sure Lee Brown has seen it.

Mr. MCCANDLESS. Mr. Panetta, the chairman and I have a letter coming your way to the President that addresses this issue, and asks for specific direction, be it legislative or otherwise, that would put meaning into this position and those who serve under him. At least we want to take a look at and make the whole subject productive, because of the tremendous impact it has on our society and the need to coordinate.

Mr. PANETTA. And we will—I want to commit to you that we will work with you in that effort, because we obviously want that job to work, and Mr. Brown is an outstanding individual who I think is deeply concerned about this issue.

But we also want to work with you in giving us some flexibility with regard to his ability to move some personnel around so that we have got a tightly knit unit there working as opposed to just—don't measure every office by the number of people who are there. Otherwise, we will never get anything done with regard to streamlining government.

Mr. MCCANDLESS. The term mission rather than people.

Thank you, Mr. Chairman.

Mr. CONYERS. The Chair is pleased to recognize the gentleman from New York, Major Owens.

Mr. OWENS. Yes, Mr. Director, your October package will be here next week, you said?

Mr. PANETTA. Yes, sir.

Mr. OWENS. Do you expect it to pass by the end of the year?

Mr. PANETTA. We hope so.

Mr. OWENS. I am concerned about how much time we are going to have for some input. You of course know that the input of the Congress is not superfluous. You know we can do some things that are constructive and useful.

The Government Printing Office concerns me in the proposal to allow each agency to run its own publishing and printing operation,

and at the same time you talk of the fact that many of these same agencies have not joined the 20th century in terms of some of their systems. The state-of-the-art systems with respect to publishing and production of information dissemination would be certainly cost effective in the long run, but it costs a lot of money to have them all duplicatively established at each agency. It would cost a great deal to do that in each agency.

Right now the Pentagon has parallel systems and it doesn't use the Government Printing Office that much. The Pentagon has parallel systems of many kinds, and as we downsize the Pentagon, those systems for that agency become overcapacity. All those kinds of questions.

Are we going to get a chance to have a real dialog with you about it before we rush to pass the October package?

Mr. PANETTA. There is no question but that the Congress has to address itself to the elements of this package. That is an essential ingredient here. We would like to try to—as I have said, I have tried to refine this down to the issues that I think there is broad support on, and to try to move the package as quickly as possible. But what I think the Speaker wants to do is to allow the committees sufficient time to be able to consider each of these elements, but hopefully do that on a more expedited timeframe to try to get the package to the floor before the end of the session.

Mr. OWENS. Am I right in assuming that the revamping of the Government Printing Office is something that is in the October package?

Mr. PANETTA. That is one of the elements we are working on with Chairman Rose, who is responsible for oversight of that, along with the responsible committee on the Senate side to see if we can develop a proposal that will at least allow us a little more competitiveness with regard to the printing operation.

Mr. OWENS. You speak of it——

Mr. PANETTA. We are not going to wipe out the GPO, but we think we need to allow for some competitiveness in that area.

Mr. OWENS. That is a small adjustment, just to allow some competitiveness. But you are talking about a whole new distribution system with each executive agency being responsible for its printing and distribution of information, which is a vast adjustment—goes far beyond just a few adjustments to allow competitiveness.

Mr. PANETTA. That is the recommendation obviously in the report, but what we intend to do is to take a small step in the right direction as part of this package.

Mr. OWENS. The package only takes the first step.

Mr. PANETTA. That is correct.

Mr. OWENS. I see. Thank you very much.

Mr. CONYERS. Thank you.

The gentleman from Illinois, Dennis Hastert.

Mr. HASTERT. I thank the chairman.

I enjoy having you before us today, Mr. Panetta. When you look at this whole idea of bureaucracy and big government, it is ironic that the gentleman from Tennessee is heading up that, because it was a gentleman from Tennessee that really started the bureaucratic system, a guy named Andrew Jackson.

Just a very brief story. I am from a very small county up in Illinois which most of the people came from Vermont and New York, and they weren't Democrats, they happened to be Whigs at that time, but they needed a post office, and the secretary or the postmaster general was a guy named Amos Kendall in the Jackson administration, and the name of the county was Orange County, I guess because it has some connection with New York or someplace.

But if they wanted a post office, they had to change the name of the county. So the county became Kendall County and they got their post office. The system was efficient and it worked. And, of course, as the Jackson administration did the patronage issues and started a bureaucracy or the bureaus, and one bureau made these decisions and always went up to the head of that bureau and passed on and passed on, we see the proliferation of that.

However, we really don't have the patronage system per se anymore. Maybe this is a heresy to say that maybe we ought to bring that back because there was always responsibility and you could pull the string on the guy making the mistake. The essence that we have folded in a traditional patronage system, a bureaucrat system in the classic use of the word, and filled it with levels and levels and levels of people who don't have any hooks anywhere other than their bureau head, who usually is an appointed guy, and passes that responsibility on to somebody who is appointed and works his way up. It is a frustrating system.

As we look at what other things we are talking about in this government today, sometimes efficiency in government doesn't exist because you have to go through these levels. You try to do the efficiency in government, and one of the things a lot of people in this very panel believe in is elevating the EPA to a Cabinet-level position. We do that at a cost of $8 million or whatever it is going to cost. We are bringing more people, more levels.

Is that counterproductive? And is there some concrete things that you can give us? How can we start to cut through those levels of bureaucracy?

Because I don't think they are necessary. But you do, you know, people lose jobs, there is political fallout. And if we are serious about that, give me some practical applications.

How are we going to do this? How do you envision doing this thing?

Mr. PANETTA. I think the most important thing, very frankly, is that first major savings area, which is the commitment to reduce Federal personnel by 252,000, which would bring the number of Federal employees below 2 million. The fact is that establishing that target just in and of itself is going to force each of these agencies and departments to look pretty closely within themselves as to where they can achieve those savings.

It is just like streamlining a corporation or a business or anything else. As you know, every major corporation in this country has gone through some streamlining or downsizing, because they are trying to improve their efficiency and their productivity. These agencies, departments are going to have to do the same thing.

The best way to force this process in large measure is through those kinds of reductions, because it will require that they look at where they assign people and where they can achieve those kinds

of efficiencies, whether it is in the procurement system or the budget system or in management to try to make it work better.

That is our best handle on trying to make this happen. In the past, we have talked about streamlining, but we have never tied it to a goal that needed to be achieved.

Mr. HASTERT. Just a quick followup, two things. If you look at the Fortune 500 companies, a lot of the medium sized businesses, and some small businesses out there, that have gone through that very gut-wrenching process of streamlining, whether you are IBM or you are a little ABC company down there with 200 employees, it happens. It happens because their revenue stream is reduced.

The bottom line is giving profit back to people who invest capital in the business. That is the system we have around here but that is not true of government.

Do we reduce those 252,000 employees or whatever we are going to do by reducing revenue stream? Do we do that first and have this as a result, or what is happening?

Mr. PANETTA. Frankly, we are doing both. Obviously we have established the target on the 252,000. In addition to that, each of these agencies and departments is facing—because of what essentially is a hard freeze, a situation where I basically indicated to each of them if they are going to be able to provide any additional moneys for investments, if they want to put more money in the WIC program, if they want to put more money into Head Start, they are virtually going to have to cut the nonpriority parts of their budgets by 10 percent in order to do that.

I mean, we are looking at the constraints imposed by the 1993 budget reconciliation bill. Also the President is interested in looking very closely at the whole issue of entitlements, and we are now required, under the President's Executive order, to keep the entitlements within certain targets, otherwise the President has to make a report to the Congress on how to address the overage.

And the President is interested in doing more with regard to trying to constrain the entire entitlements area. The combination of fiscal discipline plus these targets in reinventing government gives us a handle to achieve these goals.

Mr. HASTERT. Thank you, Mr. Chairman.

I yield back the remainder of my time, Mr. Chairman.

Mr. CONYERS. The committee is pleased to recognize the subcommittee chairman, Mr. Condit, of California.

Mr. CONDIT. Thank you. We are delighted to have you here this morning.

I have a great interest in federally unfunded mandates and there are a number of us in Congress who have formed a caucus to do what we can to begin to make constructive proposals to do away with unfunded mandates. And many of those Members of that caucus are on this committee.

I was a little disheartened to hear that the October report will not have the proposal for unfunded mandates in it. But in lieu of that, what I wanted to ask about that is if it is the President's intention to issue a directive limiting the use of unfunded mandates by the administration?

Mr. PANETTA. The President shares your concern. You have brought a great deal of leadership to the whole issue of unfunded

mandates, and he shares that concern. As a Governor he was on the other end of this thing, basically getting mandates from the Federal Government and finding himself constrained with regard to the funds that were available. So he is very much committed to that issue, and I think you can be assured that the administration is going to work with you to try to come up with a way to do that.

If it is a directive or Executive order or whether it is supporting the kind of legislation you have proposed, that is what we are currently working on, trying to develop a strategy.

Mr. CONDIT. Is OMB prepared to analyze the cost impacts of the administration proposals on local and State government? Is that going to be your responsibility to do that?

Mr. PANETTA. That is correct.

Mr. CONDIT. May I also get back to this issue of unfunded mandates. You mentioned that a task force was looking into the issues. Who is on this task force? What is its purpose? When will they finish?

And why is a task force needed when the NPR report on page 38, makes specific recommendations on how to eliminate unfunded mandates?

Mr. PANETTA. Basically it is a group within the White House made up of the National Economic Council plus the key coordinator for relationships with State and local government, plus OMB, plus counsel. We need to have counsel look at the whole issue of where we have room to take action on this front. We are trying to take the recommendations in the NPR and implement them in the most effective way.

As you know from having worked on this issue, it is one thing to say we ought to act on unfunded mandates. It is another thing to do it in a way that won't have us in court.

Mr. CONDIT. Does the task force intend to deal with unfunded mandates outside the administration, that is, what we do here in Congress as well? Do they intend to make some suggestions or specific recommendations for Congress?

Mr. PANETTA. We would like it to be done on not only a bipartisan basis but also on a basis that involves both the executive and legislative branches.

Mr. CONDIT. Let me just say that I commend the administration for dealing with this issue. This is a very important issue, as you know, to local governments. There are cities and counties and States across the country that are financially strapped, and this is a big issue to them. For local and State governments to be able to perform the tasks that the voters want them to do, we have to deal with this issue at a Federal level.

I would like to move quickly. Mr. Chairman, do I have some additional time for a couple quick questions?

You wrote to me in August and told me that you had notified Secretary Espy regarding the concerns over the lack of planning and budgeting for USDA information and resource management. Since USDA's entire restructuring could rise or fall on the inability to combine its data base to make it a more economical and efficient operation, I am wondering if you could update me on OMB's Office of Regulatory Affairs and USDA. What are they doing to ensure

the transition is happening and happening smoothly and on budget?

Mr. PANETTA. They are overseeing that effort. I just got a report from the head of that office who is overseeing that reduction.

We are approaching it on two fronts. One is to do it on the budget process. The second is that we are going to be, as part of the October package, including the additional authority to the Secretary to streamline the offices.

Mr. CONDIT. GAO released a report last summer suggesting that the administration develop a plan for ending the dual INS-Customs management of border inspection. The NPR recommends that border management should be significantly improved but provides no detail whatsoever.

I understand that OMB has been working with the interagency working group to identify and implement necessary aspects of the strategy to avoid complications, duplication, and to improve services.

Can you tell us today what are the recommendations and what is the timeframe for implementing those recommendations, and what will the cost be, if any, in implementing the recommendations?

Mr. PANETTA. We are looking toward a proposal that would be included in the 1995 budget recommendations. We think that there is no question but that they can do a better job of coordinating the INS and Customs operations at the border.

Right now, frankly, there is not very good cooperation. There is not very good coordination in terms of the operations of both offices, as pointed out in the NPR recommendations.

Our effort right now is to have OMB work with Treasury and the Justice Department to try to establish a better coordinating system that we can then incorporate in the 1995 budget request. We are hoping to save money by virtue of doing that, not increase the costs.

Mr. CONDIT. Do you have a timeframe when this should be implemented?

Mr. PANETTA. It would be included in our budget proposals in February.

Mr. CONDIT. Mr. Chairman, thank you very much.

I thank both you gentlemen.

Mr. CONYERS. The Chair is pleased to recognize the gentleman from Connecticut, Mr. Chris Shays, who is a very stringent critic of the National Endowment for Democracy.

Mr. SHAYS. Mr. Panetta, it is very nice to have you here, and it is also very nice to have Mr. Lader here again.

I am wondering if we could move the status of NPR recommendations and put it back up there.

Just as background, when I am in the process of asking my questions, what I am thinking about is the fact that with the economic plan that Congress adopted, spending will go up 21.6 percent, overall entitlements and discretionary spending, and the national debt will go up 41 percent and will add $1.8 trillion in the national debt, the biggest increase in any 5-year period.

Having said that, there has been a plague on our House in the past. It is not to say that this is worse than in the past, it is just

to say in my judgment we still don't have a handle on getting our financial house in order.

What I want to do is say to you that it is my understanding there is a hard freeze in discretionary spending. The total amount of defense and nondefense in 1993 is $547 billion. In 1998, if we keep to the caps and honor the freeze, there will be $447.9 billion, the same basic amount. Defense comes down $41 billion. In other words, now it is $294 and in 1998 it is going to be $252 billion. And social spending goes up the reverse. There is a net change of $41 billion on each.

My question is this. I am trying to reconcile, and I was wrestling with this when you came before the Budget Committee. It is helpful that you have the status of the NPR recommendations, you show in the orange and the yellow what the savings are already in our budget that we adopted with the hard caps.

So what I am looking at is basically from your chart, a total savings of about $107 billion, and I am seeing of that amount, about $55 billion, according to your information here, that is going to have to be made just to balance the budget we adopted, and it leaves about a balance of $52 billion that I would call new money.

Now, that is the way I look at it when I add the $26, the $12, the $16 and the $1.

Mr. PANETTA. Could I just correct you on that?

Mr. SHAYS. Sure.

Mr. PANETTA. You are right about the $26, which would be the implementation of the 100,000 reduction, plus the $16 billion on procurement, which is largely in the bottom-up review in defense.

The $12 billion, though, even though we put that in red, is largely going to be implemented as part of the October package, and would be new savings if that is passed, although a part of that is the procurement reform measure, and we hope that will help guarantee the $16 billion that is in the defense side.

Mr. SHAYS. When you came before the Budget Committee, Marty Sabo, who is now the chairman and is doing a very good job like you did in the past, read one paragraph in introducing you to the committee. He said, "When the plan was announced, the administration estimated that $108 billion in savings would result from reforms. Our analysis indicates that some of those savings would not be achieved until 1999, which is the 6-year, beyond the scope of the present budget; some of the savings are mandatory and not discretionary, and about half of the remaining savings are already assumed as personnel and redense reductions in the Clinton budget. What remains is about $37 billion."

That is his analysis of your plan—not Republican, a Democratic analysis of this plan. Then he asks these two questions. He is saying there is only about $37 billion of new money within the 5-year period. "Do you intend to use those savings to help reduce spending below the new tighter discretionary spending caps that have since been established, or do you intend to use them to further reduce the spending caps?"

So, one, I would like you to comment on whether Marty Sabo is right in saying we only have $37 billion of new money in the 5-year period? And two, will you use that $37 billion to just, you know,

fit in, make the caps work? Are we going to see another $37 billion of potential deficit reduction?

Mr. PANETTA. OK. First of all, I am not sure how he is referring to the $37, but you would dispute the conclusion that there is only $37 billion in new money that is here for savings.

First of all, the $42 billion, the streamlining on the 100,000 is in the pipeline, in part to achieve 1994 savings, but as I said that target takes us not just through 1994 but also to 1995, so we are looking at both 1994 and 1995 to get the savings there on the $26 billion.

But let's assume for the sake of argument that that is built into the budget that was passed last year, and then in addition to that the $16 billion which is part of defense savings. That is $42 billion. That leaves you $66 billion out of the $108, which is largely new savings that would be available for a series of purposes.

To answer the second part of your question, part of that, it seems to me, has to be used by the agencies and departments to achieve a hard freeze. I mean, you can say it is coming out of defense, but the fact is they are going to be very limited in terms of increases.

We are looking, during the period of the Clinton administration, at Federal spending as a percentage of GOP that is less than what was spent during the Reagan years and the Bush years.

In addition to that, these next 5 years with the freeze, these agencies and departments, in order to make decisions about whether or not they are going to provide additional funds for priorities like, as I said, the WIC program or Head Start program, or education programs, in order to make some of those investments they are going to have to cut someplace in their department.

And to do that, some of these savings might be available. If they can achieve some procurement savings to apply to that, if they can achieve some agency specific savings to apply to that, we want to give them that kind of flexibility.

Part of that will—part of this should also go for deficit reduction. In the October package we would assume the majority of the savings in the October package should be for deficit reduction.

So the answer to your question is, I think we ought to look at several ways to use the savings, but probably the first order of business is to get Congress to adopt the savings before we decide how we are—what we are going to do with the savings. The toughest part of this job is not to talk about how you are going to deal with the money later on. The toughest part of this job is to get savings enacted.

Mr. SHAYS. My challenge is, I sincerely—and I know, you know I believe this, feel that we aren't doing enough to get our financial house in order. There has been criticism, and our Congressional Budget Office is going to be coming out with numbers that really question, I am told, whether we are double counting, whether we are talking about $108 billion as new-found money when really it is a much smaller amount.

Mr. CONYERS. The gentleman's time has expired.

Mr. SHAYS. Seriously?

Mr. CONYERS. Seriously. For real.

Mr. SHAYS. Can I ask one more question?

Mr. CONYERS. Sure.

Mr. SHAYS. Thank you.

I just wonder—I guess this is just a request. I don't think the White House is asking Congress to do enough to get our financial house in order. And I would like you to look at a model of two different Governors. One Governor, Governor Weicker, shut down the State and balanced the budget, admittedly with taxes, but he shut down the State. He caused gridlock and shut down the State. Another Governor also got his financial house in order, Governor Weld in Massachusetts, by causing gridlock and demanding spending cuts. Either model, they caused gridlock and caused the government to shut down until the legislature was willing to step up to the plate.

My contention is we have had deficits for 12 years because Republicans and Democrats have both agreed to it, and if we had a White House—and it would be the first time—that was willing to say this conspiracy has got to end, we would get our financial house in order.

I thank the chairman.

Mr. PANETTA. If I could just comment on that, Chris Shays is somebody I worked with on the Budget Committee and I think he is somebody who is willing to put his vote where his mouth is. But too often we get those speeches and then when we come back with a specific proposal, somebody for some reason somehow thinks that the proposal either isn't enough or it is too much or doesn't like this piece or doesn't like that piece, and then votes no. And it is an easy way to talk about the problem but not go on record dealing with the problem.

I have to tell you, the $500 billion deficit reduction that the President offered the Congress, you may not have agreed with it in terms of its revenue element, but that was a tough package that involved $250 billion in spending cuts and $250 billion in revenue increases. We had a tough time getting that through the Congress, but it was done, and it was important to do as a step toward dealing with what you are talking about.

The October package, some may think it is too little or too much, but it is an important part of getting the job done. We had the Budget Committee actually add spending cuts on the budget. We are prepared to work with you on this. But this is an effort in which I don't think we ought to point the finger at each other. I think we have to walk step by step together to try to deal with this problem. And it is going to take some tough votes on the part of everybody to get it done.

That is the bottom line when you talk about entitlement spending: Everybody likes to talk about the need for additional entitlement cuts; when it comes to voting to cut retirement pay, to cut veterans' pay, to cut agriculture subsidies, to cut other programs that relate to important constituencies, you can't find the votes.

So if we are serious about dealing with these issues, then, damn it, there comes a point where the team has to put the vote where their mouth is.

Mr. SHAYS. I don't think the White House has tested us.

Mr. PANETTA. What do you think that $500 billion was all about?

Mr. SHAYS. That $500 billion still leaves us where we are now. Our national debt is still going to go up $1.8 trillion.

I believe if you put Republicans and Democrats feet to the fire in a way that causes gridlock, you will see something else happen. We have just maybe a disagreement.

Mr. CONYERS. Leon, the President cost us $35 million yesterday. The gentlelady from Florida, Mrs. Thurman.

Mrs. THURMAN. Mr. Lader, we are certainly glad you are here, and I certainly applaud the efforts that have been done in reinvention of government. I would like to turn the question a little bit to a different deficit, and I think that is the trust deficit within our constituencies.

One of the things we find so often, and I believe that States and Federal Governments and local governments should be partners, not adversaries, and I think we put ourselves into those situations over the last several years, where we become adversaries, in areas where you talk about putting customers first and one-stop shopping permits, I would imagine you are looking at, what are the proposals in working with State and local governments?

I will give you an example, coming from the State of Florida. Last year they put together the department of environmental regulation and the department of natural resources, and called it the DEP. Now that is wonderful because they are doing one-stop permitting.

How does the Federal Government put themselves into that same permitting process with them, so that those business people are really getting one-stop permitting?

Mr. PANETTA. Let me ask Phil Lader to address that.

Mr. LADER. Let me give you three illustrations, if I can, as to how we try to treat taxpayers more like customers in response to this. If you look to the sheer volume of papers that Floridians and all Americans have to fill out for filing tax information, we have to be moving to more simplified wage reporting for small business and all businesses, and also share some data between State and Federal Governments to simplify that process. That is one of the recommendations of the National Performance Review which we will be moving toward.

When you look to one-stop shopping, we need Congress' help because one of the complications we face is that so many of the different programs have different sets of data that are required to test eligibility. So it is very simple for the administration or for an individual Member of Congress to say, "We should have one form." The difficulty is if the programs generated by Congress or by the administration require different data, we have to be very careful to try to have a closer nexus on the data required. That is part of the dayin, dayout 10,000 decisions necessary to implement this National Performance Review.

One final example applicable in Florida and in districts of every member on this committee. As we undertake a consolidation of Federal field offices—more than 30,000 field offices of the government where taxpayers have to go to one part of town for that, another part of the county for that and the like—we have to look today at how we can use telecommunications and information technology more fully to allow us to reduce the number of field offices.

The President has given us 18 months to develop a consolidation plan. We look forward to consulting with your staffs and with Members of the Congress to try to find realistic ways to do that.

So these are just three examples of how we can bring about the one-stop shopping you referred to. It is not easy, but it is going to require congressional help as well as the administration's initiative.

Mrs. THURMAN. While I agree that some of the telecommunications issues will be good for this, they are also being able to colocate, like say with your water management districts or your departments at the State levels, and I am glad to hear that because we will certainly be glad to help you.

I am probably one of the lucky ones up here because I have no pride of authorship because I have not authored any pieces of legislation in Congress. So I feel—so I want you to know really I am ready to work with you, because this is one of my highest priorities for the session.

One of the other issues that has come to question has been the issue of streamlining procurement, which is another area that I think we really have to tackle, and I think it is the only one we are going to deal with with our computer information issues which have been brought up in all of the GAO reports. And you are looking at purchases under $100,000. But you are also asking and looking at waivers of numerous socioeconomic loss for contracts below those thresholds.

The question is, and you recommended, I guess, within the Buy American Act, the Davis-Bacon Act, the Service Contract Act and the contract work, one of the questions that was asked was, what process did the administration follow in determining which one of these socioeconomic clauses should be waived, and have we looked and asked those that would be affected by this and you how this all took place.

Mr. PANETTA. Obviously that is the tricky part of procurement reform, because it is like any other issue, it is always easy to talk about the generalities of procurement reform. It is more difficult to talk about the specifics. What we have done in developing the procurement reform package we are working with is that we have been very careful that where the laws require that people adhere, either to the civil rights requirements or requirements involving veterans' preferences or that type of thing, that we are going to adhere to those requirements.

But what we think we can do is try to find perhaps a way to enforce these that doesn't require the kind of paperwork load that we currently have on some of these issues. That is what we are currently looking at.

Mr. LADER. What gets lost sometimes in this discussion of procurement reform is really the dominant theme, which is moving from this concept of being led to low bid, and moving to best value, and to try to recognize by raising thresholds it would be helping small business, it would be helping many sectors of the economy in dealing with the Federal Government.

So while these are very important tradeoffs, we hope that the primary emphasis is to simplify the process in line with the theme

of National Performance Review so it can work better and cost taxpayers less.

Mrs. THURMAN. Can I ask one other question? This kind of goes back to the business part, of being friendly to businesses and so forth.

How much of the $460 billion, that deficit that it costs businesses today of dealing with government, are we going to cut?

Mr. PANETTA. In terms of the procurement budget?

Mrs. THURMAN. In terms of any of it. One of the things that was mentioned I think in the report was that businesses today just to deal with the government, it is about $460 billion of their money is spent to go through processes with this government. What is that deficit going to be cut to?

Mr. LADER. My Director looks to me so I guess I better answer.

Mr. PANETTA. You are the businessman.

Mr. LADER. I think a dominant theme of the National Performance Review is trying to find the ways in which we can simplify these cumbersome processes. I can't give you a specific number.

I will agree with you as someone who has spent his life in the private sector that the aggregate of these regulations—like specifications if you want to sell brownies to the Federal Government, you have to follow 25 pages of specifications to determine what a brownie is—undermine efficiency. We have to move in the procurement code to more commercial practices, to purchase of more commercial products. That is one illustration of reducing the kinds of cost you are talking about.

In addition to that, while we have been very sensitive to providing more and more safeguards to prevent fraud, waste, and abuse, as Leon pointed out earlier, we can improve efficiency by being able and authorized to target the individuals culpable of fraud, waste, and abuse, rather than making that burden spread across all the business community.

I don't think there is one specific number we can suggest. But the dominant theme of all of these proposals is to try to reduce the cost of the working with this government.

Mrs. THURMAN. I hope we are working with the businesses as we go through this because I think they have a lot of good suggestions to give us, and I think that we should be listening to them. I really do. I have listened to them for some 17 years now in public office, and we have found that they really can give us a better cost benefit than what we have been getting today.

Mr. CONYERS. The Chair recognizes the gentleman from California, Chris Cox.

Mr. COX. I thank the Chairman.

I would like to pick up with Mr. Lader's remark that the NPR is meant to encourage the Federal Government to find more ways of using commercial products and practices to make government more efficient. Right now if you want to sell helium to the Federal Government you have to be a government-owned industry. Yet, 90 percent of the total of the helium market in America is commercial.

I don't need to go over this with you, because we had a chance to do it in the Budget Committee last week. But, Mr. Panetta, you mentioned in the Budget Committee hearing that "any coalition that includes Barney Frank and Chris Cox is worth looking at. I

hope you have had a chance to look at it." As you may know, the Penny-Kasich package is going to include privatization of the helium reserve. I am just wondering if the OMB is prepared to recommend that.

Mr. PANETTA. As I indicated at the time, we do fully intend to include an element in the October package that relates to the concern about the helium reserve.

As to whatever proposal that Mr. Kasich and I guess Mr. Penny are working on, I have indicated to both of them that I would be more than happy to look at those specific proposals, because I think they are working on some pretty good ideas.

Mr. COX. We are coming down to the short strokes, so of course it is going to be important to make a recommendation one way or the other. We will have a vote on the package, and I hope to see it included.

But to reiterate what I mentioned in our Budget Committee hearing, the 100 years worth of our national helium needs that the government controls is an asset worth somewhere around $1 billion. It is important that when we sell this, we don't dump it on the market. The legislation to privatize the helium reserve requires; therefore, that the sale be conducted consistently with the orderly conduct of helium markets. That is certainly what I have in mind.

By securitizing its interest, the government can realize cash up front, while letting commercial helium producers dribble the product on the market over a 10-year period or whatever period they choose. That $1 billion or so from privatization is certainly material and worth looking at. Both because this is an anachronism, and because it has received such press and media play and is an icon of the silliness of government waste, we would be wise to eliminate it.

I would appreciate it if you could get behind this reform. I think I understand you to say that you are continuing to look at it since we talked about this last week, and privatization either will or won't be in your October package.

Mr. PANETTA. We currently have it targeted as an element of the October package and we are continuing to work on an approach that tries to meet some of the concerns that you raised.

Mr. COX. I appreciate it.

Mr. CONYERS. Thank you very much.

The subcommittee Chairman John Spratt.

Mr. SPRATT. I thank the chairman for recognizing me.

Mr. Panetta and Mr. Lader, I am sorry I couldn't be here for your testimony. First of all, we are glad you are here; and second and more importantly, we are glad you are both heading this initiative.

Having worked in procurement in DOD some years ago, I think procurement reform comes down to people reform. And I think in the past both the executive branch and in the Congress in particular we have concentrated on changing the rules, changing the laws, changing the structure, and paid too little attention to getting better people involved in procurement, particularly major project procurement.

The day before yesterday, the supercollider died, and one reason is, I think, probably goes to the management of the project. In DOD in particular, there is no reason, even with the reduced levels of procurement level and research and development money, we shouldn't be able to take major product development and go out and get the best and brightest talent in the country to work in the government on it.

This may involve getting away from civil service, to some extent, so that we can attract people to work short term in the government and give them the kind of pension benefit or portability in their pension plans or 401(k) type provisions that would allow them to get in and out of the government.

I think part of the whole process of reform you are talking about has to involve increasing the quality of the people who work in the Federal Government. In procurement in particular, if we can look at how we can attract people short term, some will come to stay. They will get attracted to the government and will stay and move throughout the government. We will be able to upgrade the quality of the government.

But I will leave that idea with you and hope you can act on it. I have had some ideas before, but what you said, Mr. Panetta, about presenting ideas only to see how far they go in the Congress before they run into the different centers of resistance—I serve on the Civil Service and Post Office Committees where the civil service prerogatives are zealously well protected—is well taken here.

Mr. PANETTA. I appreciate it, John, what you just said is I think the most important point that we can make about this whole issue. The other day I spoke at a retirement ceremony for somebody who had served at OMB and the Federal Government for I think it was close to 30 years, and he had really done outstanding service.

The point of my remark is that you wouldn't have to talk about reinventing government if you had dedicated committed people who were working like that individual in their areas.

I don't think there is any question, we can't build enough bureaucracy and systems and everything else to try to make government work better if you don't have good and qualified people. We can do all kinds of things on procurement reform, build all kinds of other systems, but you are right, if you don't have the right procurement person in the field dealing with that private sector person, it is going to be tough to build an enforcement process to make it happen.

We need good people, and I think part of the incentive here is hopefully when you make government work better, when you change government to inspire more trust from the American people, hopefully we will be able to attract the kind of individuals that then will want to give something back to this country. And ultimately that is what this is all about.

Mr. SPRATT. Thank you. I appreciate your sincere commitment to this.

Mr. CONYERS. Thank you very much.

Mr. Craig Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

I welcome the gentlemen. First of all, I welcome what you are seeking to do. Second, I agree very much with the Director. How-

ever, the credibility is going to be important here. It is just not going to be enough to give a lot of chatter about it, a lot of good words. It can't be all hat and no cows, and that is what we have seen happen all the time.

Where it is really needed is also in the private sector. I hope we don't ignore that one.

My third observation is that I frankly don't think you can make that kind government out of a large one. We haven't looked how we can shift some of these functions to the private sector rather than trying to leave them where they are to make them more effective.

Obviously I don't know all about the proposals, but I am familiar with at least one of them, and that is the Minerals Management Service. The State of Wyoming has dealt with that to quite some degree.

Just in brief, it has been very clear, in the hearings we have had, that the States can collect the money for about an eighth of what MMS does, but your proposal doesn't even look at that. Your proposal says let's give MMS more money, more computers, put a fine in, and charge the fees more broadly.

It seems to me, Mr. Director, that you miss the point on being efficient in the collection of minerals onshore. Would you comment on that?

Mr. PANETTA. Well, our concern in the whole MMS area is basically related to whether or not we can improve collection of what the government is entitled to right now. This is not a question of imposing any new fees or any new requirements. It is basically just collecting what is owed to the Federal Government right now. We think there is a better way to do that. The purpose of our recommendation and the NPR recommendation is to try to set up that system to be able to do that.

We found not only here but it in a number of other areas where we have requirements, that we have debts that are owed but for some reason lax enforcement. And that is what we are focusing on here.

Mr. THOMAS. I understand, and I appreciate that. The fact is you do have three very specific recommendations there and none of them have to do with letting it be done more efficiently. They have to do with more of what you have been doing.

Mr. PANETTA. Part of the problem you always run into in this business is that it is a little like IRS collections. One of the ways you get more collections in the IRS is if you have more upfront investment in terms of IRS agents. The same is true for other collection processes. In order to make the system work, sometimes you have to do a little more upfront investment. That is the case here. You have got to do a little more upfront investment in terms of technology in order to be able to get the dollars back.

Mr. THOMAS. The States are collecting the same money from the same people and are just as interested in collecting it. Let's take a look.

Mr. PANETTA. Maybe this is a place where we can use the States' efforts to try and do that.

Mr. THOMAS. Thank you.

Mr. CONYERS. The gentlelady from Pennsylvania, Ms. Margolies-Mezvinsky.

Ms. MARGOLIES-MEZVINSKY. I was encouraged to see the National Performance Standards in the Social Security Administration. I want to assure that implementing these important new standards will not come at the expense of those senior citizens who are of modest means, who rely on these benefits to live.

Many of my constituents call and they say that they can never get through to the Social Security Administration's 800 number. Can you tell me how you will implement this service and the timetable for doing so, and how you can ensure that these new administrative costs will not diminish the quality of the benefits and other services that so many of those seniors need?

Mr. PANETTA. Obviously in this area we are working very closely with Secretary Shalala and the new Commissioner of Social Security to try to ensure that they do make these operations more efficient. They are putting together a very effective proposal, we think, to try to get this accomplished. Some of it will have to be targeted in the 1995 budget to try to redirect the resources that are needed in order to be able to implement some of these changes.

With regard to the administrative costs, frankly we are going to have to do this in a way that shifts some moneys for this purpose as opposed to adding any additional resources at the administrative level. We are going to have to do some cost shifting to make it work better.

Ms. MARGOLIES-MEZVINSKY. From?

Mr. PANETTA. Within HHS and perhaps even between agencies. That is part of the budget process that we are working with right now, not only the process of looking for savings within agencies, we are also looking to see if there are some cross-cutting areas where we can try and draw some resources from other agencies to help where we think we have a higher priority.

Ms. MARGOLIES-MEZVINSKY. When President Clinton announced his initiative to streamline government last May, he said, "We will challenge the basic assumptions of every program, asking, does it work, does it provide quality service, does it encourage innovation and reward hard work. If the answer is no, or if there is a better way to do it, there is something that the Federal Government is doing, it should simply stop doing, we will try to make those changes necessary."

As a member of the Small Business Committee, I am really centered in fixing the regulatory burden facing business owners all over this country. Business owners tell me all the time that they spend thousands of hours, staff hours annually completing duplicative paperwork and filling out extraneous forms.

You know that we desperately need to improve the regulatory system, and to a certain extent you have addressed this a bit. Let's dispose of the unnecessary regulations and strengthen the meaningful ones. But above all, we have to do what we can do to make the business of business serving customer, make the business of government serving its customer, the American taxpayer.

Can you tell me, how we will get rid of some of the unnecessary regulations while at the same time ensure that we properly enforce

the beneficial ones? I know you started to address this, but could you expand on that a little more?

Mr. PANETTA. The President issued, as I mentioned in my testimony, an Executive order dealing with regulatory reform that basically tried to target several areas. One is the issue of whether we can reduce the amount of time that is involved right now in reviewing regulations. There have been horrendous delays involved with the process of regulatory review. And the way we want to do that is by not only setting specific timeframes for getting action on these regulations but second, trying to reduce the amount of oversight that sometimes is done with the more minuscule regulations.

The office at OMB that reviews regulations deals literally with hundreds upon hundreds of these things. We don't have to review every one of these. Many are pro forma requirements. So we have reduced the level of those regulations that are subject to that kind of oversight so we can speed the process.

The second thing is we have increased the focus on the cost effectiveness of these regulations. We want to be able to measure exactly how in fact these regulations are going to impact on the economy, on individual businesses, on the States and local governments, and on society.

We have got to ask the question, what is the economic impact here as well as the broader impact? I don't think that question has been asked enough in the past. So we are going to have much closer oversight with regard to that area.

Third, we are setting up a system that is going to make clear that this is not a process that ultimately ought to create greater burdens in terms of our economy. We want to create the incentive to reduce the overall level of regulations that flow through the government. That is easier said than done, because a lot of these regulations are related to laws enacted by the Congress.

As I have told my staff, I was probably responsible for some of these regulations as a Member of Congress, because when you do pass laws, regulations flow from those laws. So it is not easy to simply say we ought to eliminate regulations, because to eliminate some regulations you have got to eliminate the laws that are responsible for those regulations.

Ms. MARGOLIES-MEZVINSKY. I think the business community sometimes is just crying for your looking at them and making sure that they are not so duplicated, streamlining them, putting some of them together. They come out in fits and starts and all of a sudden you look at them and it is all duplicative, or so much of it is.

Mr. PANETTA. That is another part of the Executive order, is to try to eliminate that kind of duplication.

Ms. MARGOLIES-MEZVINSKY. Thank you, gentlemen.

Mr. CONYERS. Thank you.

Bill Zeliff, the gentleman from New Hampshire.

Mr. ZELIFF. Thank you, Mr. Chairman.

This has been very interesting, and we certainly, I think, can commit both sides to what you are doing and the basic trend and direction. I just look at the fact that, you know, you are setting as a goal $108 billion over 5 years, which unfortunately only represents 1 percent of the total Federal spending during the same period.

It has been said before, you know, we are still spitting out $1 billion a day toward bankruptcy, and we are still in the next 5-year period spending and adding a tremendous amount more to our national debt.

And I guess one of the things, and you have been mentioning in terms of business, downsizing, getting rid of layers of bureaucracy, and that is the way they survive, and I guess government needs to accept the same kind of challenge. I have three small businesses and certainly we have had to do the same thing.

What agencies are you planning to eliminate, and what departments are you planning to eliminate, and what—I mean are we really going to do some massive—are we just moving people around? I know you mentioned a lot, but are we taking a big department like—just name any one of them, the Department of Energy, the Department of Agriculture. Are we really going to zero in and use that as a model for the rest of the government to follow?

Mr. PANETTA. As was mentioned, I think Phil mentioned it, the purpose of reinventing government was not to focus on that aspect, which is basically the reorganization of areas like that. It was basically to focus on what government does now and how can each of these departments and agencies do a more effective and efficient job of what they are responsible for.

But I think the next step is to look also at what ought to be done with the whole issue of taking major areas and seeing if there isn't a way of trying to consolidate those responsibilities. I don't think this ought to be the end, this can't be the end of the process. The next step has to be to look to some of the issues you just addressed.

When I was a Member of Congress, I introduced a proposal that basically would have reduced the number of executive departments from 14 down to 6 or 7. I think we need to think about that kind approach for the future.

Mr. ZELIFF. Because I think if we really want to get—I mean, $108 billion sounds like a lot, but based on baseline budgeting, compared to past actual, which is what the businesses would have to do, it is peanuts. And we are not really solving the problem. The problem is getting away from us, and I think we have a narrow window.

You say that ought to be the next phase, because that is the phase that will really accomplish something. To reinvent government is one thing; to cut back and downsize by streamlining and getting rid of massive amounts of this bureaucracy is really the only way we are going to survive.

Mr. PANETTA. Just to follow up on that, you are right. Obviously $108 billion in terms of what we have to do is a small step, and there are some other small steps.

When you look at the overall Federal budget of $1.4 trillion, I think you have to understand, and I think you do, that over $700 billion of that is in entitlement programs, and over $200 billion is now interest on the national debt. And so in order to reduce the deficit further, we have got to be able to look not just at the discretionary side and how we better unify that, but we also have to look at those entitlements.

Mr. ZELIFF. Are you and the administration going to take a serious whack at entitlement programs?

Mr. PANETTA. The President's intention is we have to have a major focus on looking at how we can achieve better controls on entitlements.

Mr. ZELIFF. Because I think means testing, starting with Medicare, there are a lot of areas where it is time for us to stop waffling and get out on both sides of the aisle, really start making that kind of commitment.

I had an interesting hearing in the committee, Collin Peterson and I, it was a Department of Labor program, the Trade Adjustment Act, and Mr. Ross, Assistant Secretary of Labor, Employment and Training came before us, and they are looking at doing an employment training program to take care of people who are dislocated in terms of NAFTA. And I am looking at a $90 million program.

It is interesting, this is a bipartisan criticism, the Trade Adjustment Act is a program that has been out there for 19 years, and both the GAO and Collin on the Democratic side and myself on the Republican side, you know, and the witnesses, everybody in the room agreed it is not doing the job—19 years of poor performance, lack of accountability, very inefficient program. And yet the administration is recommending a $90 million program to use them as a legislative vehicle.

I didn't know you were going to get back, Collin, but we both feel that this is something that needs to be looked at. In the bigger picture, the bigger scope of things, what we are dealing with is $24 billion of all job training programs spread over 154 Federal job training programs in 14 different agencies of the Federal Government.

You know, we looked at—I was involved in this for 10 years as a businessman in New Hampshire, and when we changed—and I was under CETA as well, and we went from the stipends to having a fairly strong program involving local involvement of business people to get accountability in the process.

And I just think that maybe somehow there is some tremendous savings here. Most importantly, if we use the JTPA, at least the way it was originally intended, rather than going back to a program that is totally ineffective and has been ineffective for 19 years to get that $90 million, people would really need the help.

I strongly encourage you. Here is a big area where I think you can probably do twice as much with half as much money. It is an area you ought to take a serious look at.

Mr. PANETTA. Secretary Reich has indicated he is looking at a major proposal we would introduce early next year to try to deal with the whole issue of worker training. I think all of us share the same frustration you do, which is that there are a myriad of programs which have mixed reviews in terms of their effectiveness, and we need to try to coordinate better the whole issue of dislocated worker training.

The TAA is really a short-term measure to try to get us through the interim until we get to that kind of major proposal to coordinate and make more efficient the worker training aspects.

Mr. ZELIFF. As a guy who has been involved for 10 years, I think we are making a major mistake doing something that is ineffective for 19 years, even on a temporary basis. I think we have the brain

power and resources to take something that has already been successful, and let's not reinvent government on this one, let's make government work.

And one last quick question, and then a comment. Do you think we will ever get away from baseline budgeting?

Mr. PANETTA. The fact is we have made better progress on that in the last few years, just in the debate alone. We never hear anymore about the issue of budgets based on growth and inflation, which was the current services budget approach we used to take, and then we used to argue there were cuts from the baseline budget, which envisioned, obviously, increases from year to year.

I think more and more Members have been discussing the whole issue of looking at what was last year's budget, and then using that as a base. And I think there is a lot of sense to that. I really do.

Mr. ZELIFF. I hope that we head in that direction. It is certainly one that would be a lot clearer or more effective.

Just a last comment. I mentioned that cutting back, Mr. Chairman, you and I had a discussion on this as well, if the administration frankly is cutting back across the board within the administration on all programs and all agencies, then we can, you know, certainly we can accept that argument, but it really seems like the whack was taken out of the people dealing with the Drug Czar's office. I am very concerned that that is one national priority that we need to put a high priority on. I hope it doesn't get lost in the shuffle.

Thank you, Mr. Chairman.

Mr. CONYERS. Thank you very much.

The Chair is pleased to recognize the gentlelady from California, Ms. Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman.

It is a pleasure to see you, Director Panetta, and I really appreciate you and Mr. Lader coming and listening to so many committees. In addition to the committees, the Congress, and the administration, I hope you are also listening to the work force on how to cut and save, and about what we need to do here.

I am sure we are going to be very successful in this program. To me that means we are going to have savings. I want you to know that you have one member of this committee, and of this Congress, that will be very disappointed if we don't reinvest some of our savings into the people of the United States and into our infrastructure. We have kids to educate, we have people that need to earn a family wage, we have jobs to create, and we have an infrastructure that needs to be modernized and maintained. If we don't use some of these savings and invest it in our people and our infrastructure, I think we will be making a huge mistake. Not all of it, but some of it. That is where I am coming from.

Leon, when you testified before the Budget Committee last week, you mentioned the need to improve Federal debt collection, and along those lines, I believe that if our Nation were tougher on parents who failed to pay child support, that we would be able to significantly reduce spending in some of our Federal programs, particularly for welfare, health care, and childcare, for low-income families.

I have a bill, it is H.R. 2346, which would require credit agencies to report unpaid child support payments, the same as they do for any other debts. I mean, our kids, or our cars, which is more important? This bill has bipartisan support, and it was included in the House version of the budget package, but it was struck by the Byrd Rule complications in the Senate.

Is there something that we could do to include this legislation as part of the package you are submitting?

Mr. PANETTA. I am very familiar with that legislation. I think the administration was very supportive of it. It is our intent to try to come back to that issue either in the 1995 budget or separate legislation. One way or another we have to come back to it.

Ms. WOOLSEY. I think it would be very valuable for us to do that. I will let you get on, but thank you again. I just know we are all going to be able to do this if we do it right and do it together. You guys are magnificent for keeping it coming.

Mr. PANETTA. I appreciate the comments on the need to invest. Let me say that I think these next 5 years, you know, 4 to 5 years, are going to be a period when all of us are going to have to make some very tough decisions with regard to priorities in this country, because everybody needs to ask the question and should ask the question, How are we going to pay for things? If we want to expand benefits, how are we going to pay for it? If we want to cut taxes, how are we going to pay for the loss of revenues? That is a question asked more and more these days, and it should be. I get asked that question every day, every hour.

But to be able to respond, we have got to make some decisions as to what the priority areas are that we care about, that we feel we have a responsibility to try to invest in, and what are the areas that we are simply going to have to eliminate or cut back on in order to find those funds.

Because right now, I have to tell you, we don't have the resources to do everything. We just don't.

Mr. CONYERS. That is a surprise. When did you find that out?

Mr. PANETTA. Every day.

Mr. CONYERS. Before I recognize Mr. Horn, Bill Zeliff, do you have an anti-NAFTA button on?

Mr. ZELIFF. It slipped out, Mr. Chairman, but thank you for recognizing probably one of the most important decisions we will be making. Pro-NAFTA.

Mr. CONYERS. Thank you very much.

The Chair is pleased to recognize the gentleman from California, Mr. Horn.

Mr. HORN. Thank you very much, Mr. Chairman.

I listened with interest while you among other things mentioned the hard freeze on discretionary accounts for the next few years. I agree with you. As you know, I have put in H.R. 1099. There are two parts of it. One would freeze accounts, either negatively or positively. I took both versions to the Rules Committee, a cap of 2 percent, going forward a few years.

But the important point is also part 2. I give the President the authority to move money around within that freeze, which he does not have now, as long as he makes the freeze targets.

That will be a bipartisan bill when we put it in again. Every Republican leader that I asked signed on that, and are willing to give a Democratic President that authority. We believe the President doesn't have the tools, he ought to have the tools, and the President, any President ought to be held accountable on that.

I think also a freeze—and certainly as a State official for 17½ years, as a university president, we had to do that frequently. As you know, when Governor Deukmejian came in, he inherited a $1 billion deficit from Jerry Brown. That was unheard of in the history of California.

Now it would look like the good old days and the current Governor wished he could only deal with that. But he issued an Executive order and the government agencies were ordered to give back 2½ percent. Halfway through the year we had to cut back 5 percent. That meant letting people go, freezing positions. It worked. Governors throughout this Nation have done that as a way to balance the budget.

I only made six exceptions in that freeze, that a group signed off on, about 40, 50 people are backing it so far. And you note in Gramm-Rudman, there were three pages, single spaced, of programs exempt from the freeze.

So I wonder how you feel about that as a technique, both prongs, freeze and Presidential authority.

Mr. PANETTA. Steve, I have not looked specifically at the proposal that you have offered. I know that we have talked about the idea of a freeze. And to some extent we have a hard freeze right now for 5 years. The real question would be the Presidential authority to move money around.

I guess, you know, I almost have to put two hats on. One hat is as a former Member of Congress, and the concern being how much authority you want to give a President to be able to just willy-nilly decide that he is going to shut down this program or this particular agency and move the money over here. I would have been concerned about that as a Member of Congress.

As a member of the administration, while I could say it would be nice to have that power, the other day I was before Jake Pickle and he said, look, I want to give you all the power you need as Director of OMB to do whatever you have to do to get this done. I said, I appreciate your trust. The problem is if I take those steps and 2 weeks later the Congress says, to hell with you, and reverses whatever action we took, we aren't making any headway.

I think that I would be a little concerned about that kind of authority without having the Congress play some role in that. I just don't think you can shift major amounts of money between agencies and not involve the Congress.

Mr. HORN. Obviously in authorizing it, the Congress could be involved. We could have limits, as we have, in parts of it, up to 10 percent, up to 15 percent, whatever, but it seems to me this Nation is in a crisis, as several members of this committee have noted, and we have to take some drastic action if we are going to solve the problem. If you would like to file some remarks for the record, I would appreciate it.

Mr. PANETTA. I would be happy to.

[The information follows:]

REMARKS OF LEON E. PANETTA FOR THE RECORD
ON H.R. 1099, "DEFICIT REDUCTION ACT OF 1993"
IN RESPONSE TO REP. HORN
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
HEARING OF OCTOBER 21, 1993

As Representative Horn described, H.R. 1099 would amend the Balanced Budget and Emergency Deficit Control Act of 1985 (GRH) in two key ways. First, it would require across-the-board sequestration of Federal spending, both discretionary and mandatory, in order to constrain spending to the levels specified in the bill for each year of a three-year period. Second, it would eliminate, for this purpose, most of the long list of exemptions from sequestration in the current GRH, leaving only a few, such as social security and interest on the debt. In place of the specified exemptions, the bill would grant the President limited flexibility to reduce the sequestration impact on any account, if the across-the-board sequestration percentage were increased sufficiently to offset the exemptions.

Let me first comment on the proposed constraints on spending. Less than a year ago the Congress and the President agreed to an extension of the provisions of the Budget Enforcement Act of 1990 through fiscal year 1998. The agreement was codified in the Omnibus Budget Reconciliation Act of 1993 (OBRA 93). Specifically, the caps on discretionary spending were set at levels that represent a hard outlay freeze, and the pay-as-you-go (PAYGO) constraints on legislated increases in mandatory spending or decreases in receipts were renewed. To complement the PAYGO requirements of the law, the President set entitlement targets through an Executive Order. Congress did not extend the deficit targets beyond 1995.

The Administration believes the constraints included in OBRA 93 are appropriate and will continue to be very effective in reducing deficits. Furthermore, the constraints in H.R. 1099, since they would apply to total spending, would resurrect one of the problems that some feel caused the original GRH to fail -- namely, that discretionary programs, even though they might be at freeze levels, could be cut automatically by an across-the-board sequester that is triggered by mandatory increases in entitlement programs.

Now, I would like to turn to the second part of H.R. 1099, which deals with how a sequester is administered. In theory, the uniform, formulaic application of reductions is one of GRH's strong points. It threatens to cut every program (discretionary or mandatory, as appropriate) equally if hard choices are not made, and when a sequester is required, no one can accuse the President of playing favorites by cutting some programs less than others. In practice, however, every program is not cut equally. This is because GRH lists several pages of exemptions and special rules. A few of these exemptions, like interest on the debt, are absolutely necessary, but many are not. On the other hand, some programs are not exempt that probably should be at least partially exempt when circumstances warrant.

It might make sense to eliminate some of the absolute exemptions now specified in GRH, but as I said to you when I appeared before the Committee, I would have some concerns about providing too much flexibility.

Mr. HORN. Second one, Federal debt collection. It has been mentioned several times here about the need to collect Federal debts. My colleague from California, Ms. Woolsey, just mentioned the child support issue. Very valid point. But we have billions of dollars uncollected, be it student loans, be it whatever.

And 23 years ago as a university President I advocated using the Internal Revenue system to collect student loans. It is a national scandal what goes on in some of the institutions. And the sure way to assure the money coming back in is to use the IRS method.

What is the administration's thinking on that point?

Mr. PANETTA. In the October package one of the key elements will be to improve the ability to do debt collection across the board, Treasury, Justice, other departments, because right now, you have hit the nail on the head, we're not getting sufficient debt collection on the debts owed the Federal Government, and that needs to take place.

In some instances, we just send a letter out and we never follow it up at all, and as a consequence of that, there are literally billions of dollars owed that we are not collecting on.

I think Phil has the exact number, if I am not mistaken, as to how much is owed the Federal Government, and how much we actually collect.

Mr. LADER. $312 billion, of which $110 billion is delinquent.

Mr. HORN. We share a common concern.

Let me just say on the need for gridlock, it was mentioned that two Governors, Governors Weicker and Weld, had done this in their State. When Ross Perot met with the freshman Republicans, I happened to suggest what others have now put in writing, that frankly you ought to put it to us. The President ought to ask his leadership in the House and Senate to have a special session of the Congress. We have one item, which is dealing with the budget, no other committees should meet except committees relevant to that, if any committees meet. We don't have this closed rule nonsense we have been subjected to. We vote up or down on various proposals.

I think that if we are in that kind of a crisis, we ought to be calling it a crisis, acting like a crisis in both the legislative and executive branches. So I would hope as one of your strategies to get our attention, the President might want to do just that.

Thank you very much.

Mr. CONYERS. Thank you, sir.

The subcommittee Chairman Collin Peterson.

Mr. PETERSON. Thank you, Mr. Chairman.

I am just curious how this process is going to work. For example, the Agriculture Department was looking at reorganization prior to the time that you started with your performance review. And from what I can tell, I don't think the Secretary is in agreement with some of the recommendations that are in the National Performance Review. There are some things that are at odds there, from what I have seen of his statements and so forth.

We are in kind of a situation, how is that going to be resolved? Who has the big hammer? Are you going to whip him into line, or how is this going to work?

Mr. PANETTA. Actually, on this one, Mike Espy and I are pretty much alike. He has indicated we have got to reduce the large num-

ber of field offices that are out there, and he wants to do a major reorganization in the Washington office as well. We are prepared to support him in whatever way we can.

As a matter of fact, the October package includes legislation that gives the Secretary the authority to do just that.

Mr. PETERSON. But there are some parts of the National Performance Review that are talking about transferring, you know, some of the activities that he is opposed to, that I have read. I don't know if you are familiar with those.

But what I was curious about is, if we get into that kind of a situation where—or is that not supposed to happen?

Mr. PANETTA. Well, it can happen. The fact is that—I think for purposes of the October package, everybody is together on the proposals that will be included there. With regard to the 1995 budget, I have to tell you there will probably be some continuing battles within the administration as to areas that are going to have to contribute to priorities. And there it is not just Mike Espy, it is other Secretaries as well.

Mr. PETERSON. That was my point. So before you come out with any of these specific proposals, you are going to have this resolved?

Mr. PANETTA. Exactly.

Mr. PETERSON. Because so far there has been conflicting aspects of this that are not resolved at this point.

Mr. PANETTA. I think that is fair to say.

Mr. PETERSON. The second thing, on the CFO Act, I asked the Vice President just the other day when we met with him, and I visited briefly with Mr. Lader, do you have any specific timetable in place, so if, say, we are going to have this done by a certain date? Have you thought about that?

Mr. LADER. What element of the CFO Act are you referring to?

Mr. PETERSON. Getting the CFOs in place and having the accounting standards in place, which are still dragging on. A committee that was set up to determine the standards hasn't come to a resolution. This thing has been dragging on.

Have you thought about setting specific dates or have you set any to try to get this moving along a little faster?

Mr. LADER. Very definitely. Let me give you some specifics. On the CFOs, there are 16 Presidentially appointed, Senate-confirmed CFOs. While it is correct to say there are only seven who have been nominated and confirmed, that really is a misleading number, because while there are seven confirmed, there is one who has been nominated going through the confirmation process. There are two extremely able ones who the President has expressed an intent to nominate and is going through the background FBI check and the like. There is one consolidation between the Assistant Secretary for Budget and the CFO which is acceptable to us. And there is one individual at Labor who the Secretary has asked to continue rather than change, because we believe this is the type of position that to a great extent should be viewed in a bipartisan way as somebody who brings professional competence to the job. We are not seeking just to throw everybody out and replace jobs.

So as a matter of fact, there are four searches under way for four CFOs which remain. As a former accountant, you can be very much of a help to us as well, because a number of the candidates pro-

posed are individuals who are extremely capable but do not meet the statutory definitions of CFOs, having very broad financial management experience.

This administration is so dedicated to having highly qualified CFOs that we are not simply trying to fill the jobs. The Office of Presidential Personnel has tremendous pressure to find highly capable individuals to fill those jobs. We would love your help on that.

To the second part of your question, the Financial Standards Accounting Board was organized to develop a very comprehensive set of accounting practices. As a businessman, I found it absolutely surprising to come to the government and find that there are no generally accepted accounting principles in the Federal Government. There never have been. Now, we have made progress. There are three sets of principles that have been accepted now and have moved through. OMB has been expediting that.

The National Performance Review, and the Vice President personally, have said to that accounting standards board, "You have 18 months to develop a comprehensive set of principles." I have met personally with the comptroller general at GAO. We are working with Treasury and FMS particularly to find the way that within that 18-month period we can achieve this comprehensive set of generally accepted accounting principles.

So we are working on it. But, as you know, it is a very tough set of issues.

Mr. PETERSON. As I understand it, I think it was only two or three agencies that usually have audited financial statements. Do you have any timeframe for when you are going to try to have every agency have an audited financial statement?

Mr. LADER. Agencywide you are correct, but there are more bureaus and elements of the agencies which have been audited. Our difficulty is we have about 859 separate financial management systems in the government, in the executive branch right now. Until we get them so that they speak to each other, it is very difficult to get to an audit.

To answer you specifically, the CFO Act provides very firm mandates as to the timing of those audits and we are seeking in the budget process—all of this comes back to the budget process—to urge the individual departments and agencies to make sure that they are allocating sufficient funds to get that accomplished.

Mr. PETERSON. Thank you. We will do what we can to help you move the process along.

Mr. LADER. Thank you.

Mr. PETERSON. Thank you very much.

Mr. CONYERS. Thank you very much, Mr. Peterson.

The Chair recognizes John Mica from Florida.

Mr. MICA. Thank you, Mr. Chairman.

I have only been here 10 months, but—and I want to commend you on your efforts to try to bring some sense to what we are doing as far as the performance of Federal agencies. But I really have a problem because what you all have said and what you have done are two different things.

For example, Mr. Panetta, you just said you were interested in reducing as a Member of Congress the number of agencies, execu-

tive agencies from 12 or 13 down to 7 or 8, which in any—if you look at any organizational structure of good management flow, that is a good number.

Yet, the administration is pushing—and I have a series of questions about this for you—the EPA elevation, which makes absolutely no sense, an agency out of control that would add I guess a 14th Cabinet level.

The administration has—well, next week they are going to give us a health care package, we understand. We are finally going to see the bill. Last week we had testimony before one of my subcommittees on Human Resources of this committee that from 1980 to 1992, we passed 172 unfunded Federal mandates, and there are 79 unfunded Federal mandates in the package coming next week, which is almost equal to about half of what we did in the last 12 years, in that one bill.

So far the legislation we have passed, that has been pushed by the administration, family and medical leave, motor voter, all unfunded mandates, both depressing the ability of business and government to continue funding this. So I have a real credibility problem with what is going on.

And the other thing too—and I will just tell you an observation. Last week we had another hearing. The chairman was there. We had the welfare people rebelling. In Detroit they told us there are 450 Federal welfare programs. And they don't even talk to each other. In fact, one of them testified that trying to get them to talk to each other in developing cooperation was like giving birth to a porcupine.

The job training programs are 100 Federal job training programs, they testified, at $10 billion. Basically what I see is a whole system out of control. I think you have a good effort, but you have an October package, I have a January package. The January package is going to be a balanced budget amendment, and we are basically going to finally give you the tools to do what needs to be done.

So maybe you would like to comment. It is a little bit of a commentary on my part, but you see the frustrations that I see only being here 10 months from business, you were here, and now you have to deal with this.

And what Mr. Shays showed us today is startling. It is not going to work. It didn't work with Gramm-Rudman-Hollings. It didn't work in 1991. It is not going to work this time. I am convinced a balanced budget amendment is the only solution.

Mr. PANETTA. First of all, obviously the administration has been in office as long as you have been in Congress, and so, you know, the steps we are trying to take to try to deal with some of these issues are a beginning. It is not by any means a completed task.

I think with the fact that we submitted as our first proposal an effort to reduce the deficit by $500 billion, whether you supported it or not you have to acknowledge that $500 billion in deficit reduction is not just a drop in the budget.

It was a tough issue and it was a tough stance by the President who was willing to say, we have got to raise taxes and cut spending in order to get that done. That was, I think, a very important step.

We are doing this October package. Also a key purpose of health care reform is to cut down on the administrative overhead and to

try to control what is now a tripling and quadrupling cost in Medicare and Medicaid. That is the whole point. You are going to find in this package significant savings in Medicare and Medicaid, and that package under the rules that we have adopted has to be paid for and should be paid for, and you will find that is the case.

Each of these areas, whether it is reinventing government, whether it is the budget deficit, whether it is the effort to try to coordinate job training programs, we are going to make an effort to try to make government more efficient, more effective in the way it does business. You may not agree philosophically with some of the issues that we are dealing with.

You may not have agreed, as I said, that we ought to tax the rich in order to do deficit reduction. But the bottom line is that we are committed to steps that are going to get the deficit down, that are going to make government better.

We think government has a legitimate role to play in some of these key areas. But we are interested in making sure it does a more efficient job and that we control the deficit.

Mr. MICA. When the President ran he was going to focus like a laser on the economy. And I think his laser is broken. I think if you take one message back from at least one Member, that we need to in fact focus on the economy.

I see one thing in here that deals with what is going to actually create more revenues. Some of what you are going to do will create more revenues by less bureaucracy. But that deals with trade and trade promotion. We have 19 agencies of the Federal Government dealing with trade, and that is the only area that I think will actually boost our economy, is trade and exports.

He can do some things by Executive order. I give him credit for what he has done already. But for me, focusing on those things that will enhance revenue, that will create jobs, only people in a job or industry is paying taxes, revenue. The rest is all a revenue transfer.

So that is my second point. I don't see enough in here in promoting business and trade. And I think that that is going to be the thing that makes all this work and funds this.

Mr. PANETTA. As I said, this is a first step. It is not the last step. And obviously we need to continue to work to better coordinate programs like that. You are right about the trade moneys. They are all over the place. We need to better coordinate those.

We need to better coordinate energy programs. We need to better coordinate the environmental programs we have in the government. And that is going to be a continuing process.

You know, you as a representative are not going to solve all the problems in government overnight, and we as an administration are not going to solve these programs overnight. But we do need to work to solve some of them.

Mr. CONYERS. Thank you very much.

Mr. MICA. I will also submit these questions for the record.

Mr. CONYERS. Thank you very much. We will accept them into the record.

The Chair is pleased to recognize Mr. Gene Green.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. Panetta, again, like my colleague on the minority side, I am a new Member but I served a number of years in the Texas Legislature and heard so many years, we had 2-year budgets, and we were trying for 20 years to get a 1-year budget so we wouldn't appropriate so far in advance and waste money.

Could you address that? Because the legislature in Texas has $35, now it is much more, a $40 billion budget on a 2-year basis.

Do you think there would be any savings if it went to a 2-year, biennial budget? Is it just to try to freeze things where we are? I appreciate your comment, if we had one every millennium we could freeze it to 1993 until the year 2010, maybe.

Mr. PANETTA. I think the problem that I have now is the chaos of the present system. Every State and community has problems dealing with the Federal budget. My concern is that we are still here in the middle of October, we have not completed all of the appropriations bills for 1994. This is a problem that is occurring more and more and more.

And as we are trying to complete the 1994 process in which there are a lot of communities out there that still don't know what they are going to get in their 1994 budgets, we are now in the process of planning for 1995. No sooner are you going to complete the 1994 process than you are going to be right in the middle of the mix for 1995.

We have got to try to stabilize it over a longer period of time. I just think—it isn't that we are not going to make adjustments. We will. But if we can stabilize it over a longer period of time, if we could focus more on oversight of existing programs rather than simply how much we are going to give those programs now, which is the battle we are now involved in, we could do better.

As an old veteran of these battles, I am not going to tell you that a 2-year budget is going to solve all the problems. But I think we can find some greater stability in that process.

Mr. GREEN. One of the other questions I had was the recommendation from the performance review of the actual elimination of the Government Printing Office. Again, I am a product of my background, having fought these battles and serving on a sunset commission. So my next question is maybe we should sunset some of these job training programs so maybe we can merge them together on a regular basis. If we eliminate the Government Printing Office—I went through this, every State agency had a four color press, there was no control, so we tried to consolidate printing to where not everybody had their own printer in their particular State agency.

And I am worried that if we bring in private competition, which is what we tried to do, then somebody can compete with the GPO or with whoever, and although when we do that we have—like last night we had the fight on grazing. We tried to bring in what would a fair person pay a private person who wants to rent their acreage for grazing, and we have had a long fight that took many years and finally passed something last night.

We all want free markets in our system until it begins to hurt our constituents.

But I guess I worry that if we go out there we may see proliferation of every Federal agency having a——

Mr. PANETTA. It is refreshing to hear your comments because obviously you see the other side of the issue, and the problem here is to try to find some kind of sensible balance. Obviously you can't just shut down the GPO and move it all out. I realize that is the recommendation.

We are better off trying to test some additional opportunities to do private sector contracts, and at least be able to benefit from that kind of example and see how it works. And I think the same thing is true with regard to other recommendations here. We have got to be careful that we don't wind up at the other end saying to ourselves, why did we do that?

I think the key to that is to be able to do this in a transitional way, and to be able to make sure that as we do it, we are implementing good management practices to make sure it works.

Mr. GREEN. And the last one is, it was considered some type of a sunset, and again it was monumental on a State level, but on the Federal level looks like you only do it once every millennium, but to have some type of—whether Government Operations looks at all the various Federal programs in the job training that we have talked about, it is one of the frustrations you have that many, did performance review look at, every 15 years we look at the Department of Agriculture or we look at the department—it is obviously we are not going to abolish the Department of Agriculture or the Department of Defense, but we are will be able to merge some of those functions that we have that get built up over the decade?

Mr. PANETTA. I think it is a good idea to look at an approach that would require that kind of required oversight on a periodic basis. I would like to talk with you about maybe developing something like that at the Federal level.

Mr. GREEN. Thank you.

Thank you, Mr. Chairman.

Mr. CONYERS. You are welcome, Mr. Green. Do you want your prepared statement included in the record?

Mr. GREEN. Just in the record, Mr. Chairman.

Mr. CONYERS. Without objection.

[The prepared statement of Mr. Green follows:]

CLVL
CREEK

Committee Statement
Government Operations
October 21, 1993

Mr. Chairman, I would like to thank you for calling this hearing and thank Mr. Panetta for taking time from his busy schedule to discuss the recommendations made by the National Performance Review.

Coming from Texas, I have recent experience in dealing with government reform plans such as the performance review. This proposal mirrors the "Reinventing Government" program proposed by Texas Comptroller John Sharp which was considered during my last term as a State Senator.

Any plan that represents a major departure from the status quo will likely result in resistance from those who benefit from the current system. However, as this debate progresses, it is important to keep in mind who does not benefit from the current system which unfortunately many times is the American taxpayer.

For every person there is out there demanding that we decrease spending, there are two or three or four here telling us how these cuts would devastate them. We must remember that the people are demanding more from there government and a fundamental restructuring of government operations may be the only way to achieve the magnitude of

savings we will need.

The proposals made in the NPR report represent a good start for changing the way the federal government operates. I am encouraged by this report and I look forward to working with the members of the committee to implementing a great many of the recommendations made in the report. Thank you.

Mr. CONYERS. This has been a marathon session, Mr. Director. We didn't intend it that way. But you cover all the bases of the Federal Government. I can't remember whether you sought this position or it sought you, but nevertheless you got it, and you are handling it very effectively.

I commend you for your wide expertise, your congressional experience, and your budgetary background holds you in very good stead.

There are two matters I have got to bring to your attention. One deals with the job program. We have been talking about jobs, jobs, jobs, and it was even mentioned by the gentleman from Texas.

We did a preliminary survey and found that in addition to JTPA, there are about 100 other job programs spread across the Federal Government. This is a discussion I plan to have with the Labor Secretary, by the way, for whom I have a high admiration. I brought the amount of job programs up to one of our Government Operations Committee Members, Matthew Martinez, who is a subcommittee chairman on the Education and Labor Committee, and he said, you are not right, it is 150 job programs spread across the entire Federal Government.

What I am thinking, since everybody is so concerned about this—and there have been JTPA problems, we know, we have had hearings here, and the chairman of Education and Labor has also been working on this problem—I am beginning to wonder if there is some way that there could be effective consolidation of these programs, and whether you have had a chance to look into that.

Mr. PANETTA. I think there can be, Mr. Chairman, and I think Secretary Reich is interested in just exactly that point, because I have had long discussions with the Secretary on this. And the Secretary right now I think believes that when you look at the myriad of programs, there just simply isn't a coordinated effort to try to deal with what are some very major transitions going on within our economy right now.

You know, these programs have been developed, I think, on kind of a helter-skelter base. Every time there is some concern about a particular area of job training, we develop a program to try to deal with that.

Right now, the major issue in the American economy is the transition of workers from one occupation, whether it is industry, going to the service sector, or going to other areas. And we are facing—whether it is defense conversion, whether it is the industrial changes going on in this country, whether it is the move to high tech, whether it is the move to service industries—we are facing major transitions in the American economy. And very frankly, the worker training programs that we currently have are not effective in dealing with that kind of major transition.

Mr. CONYERS. I don't think so either. I presume reorganizational authority would help you in this kind of——

Mr. PANETTA. That is correct.

Mr. CONYERS. Could we trust you with reorganization authority after we gave it to you?

Mr. PANETTA. Only if you continue to provide good oversight.

Mr. CONYERS. We have this bond of trust, Leon, that is enduring and lasting and deep. But, see, once we give it, it is hard to get it back.

Mr. PANETTA. I understand.

Mr. CONYERS. You know the relationship between our two branches of government is better than most.

Finally, the Department of Justice. I don't like to bring up the Rodney King case, but it was in that context in a Judiciary Committee hearing that this came up. There were many claims and allegations of police brutality that were being filed nationally, so we began talking with the Civil Rights Deputy Attorney General, and here is what we found. From 1985 through 1990, there were 47,500 claims and complaints of police brutality that went to the Federal Government, through the Department of Justice; but only 17,700 of them were investigated. Furthermore, of these 17,700 investigated claims, only 263 had any action brought by the Department of Justice.

We further found that the GAO had great difficulty extracting even these figures from the Department of Justice. This occurred a couple of years ago. And then we had a witness I will never forget, an attorney, Johnny Cochran, who was himself a former prosecutor in California, who brought to our attention six cases in which complaints had been filed. One had a jury award of $2.4 million. Another of $3.1 million. Another of $2.2 million. Another of a multimillion dollar claim still pending. These are all on police brutality cases, of which there have been complaints but no action by the Department of Justice.

I need you to look at police brutality claims very carefully and find how much access GAO has to this information at the Department of Justice. We need to know whether DOJ may need more personnel or whether there is some administrative problem that we don't know about, or in fact whether this was a policy determination that police brutality complaints are just not high on the scale. There could be a range of explanations, which it seems to me in the context of this performance review, would be a very important subject.

Here we are talking about civil rights, a potential civil rights matter that could be of incredible importance. This issue could go beyond the victim, to create an attitude about law enforcement that could be very negative, especially if we have patterns of practice around the country that we don't have any way of monitoring.

Obviously the Attorney General needs to know about this, and I pledge to you I am going to bring this matter to her attention as well.

[The information referred to follows:]

– Keith Hamilton, 33, on August 3, 1991, domestic disturbance, shot with Taser gun, thrown to the ground, beaten and shot nine times by Los Angeles County Sheriffs while lying prone on the ground. Dead on the scene. Officers were dismissed from the force. No indictments.

– Yusuf Bilal, 38, on March 18, 1986, went through red light, beaten with billy club, shot three times in the back. Died in the hospital. Jury awarded $2.4 million. No federal indictment.

– Otis Robinson, 62, on June 8, 1985, minor auto accident, handcuffed and hog-tied and taken to hospital, refused to take sobriety test, neck broken by officers, spinal damage results in death two days later. Jury awards $3.1 million to survivors. No criminal charges.

– Murphie and Katie Pierson, ages 74 and 71, on May 26, 1986, was sitting on front porch with shotgun after ordering drug dealers off their property, police arrived and fired 11 shots at Mr. Pierson even when he was lying face down, permanent injury to leg and back. Jury awards $2.2 million. No criminal charges.

– Daryl Stevens, 27, September 2, 1991, roommate was suspected of storing evidence, officers arrived with search warrant, shot him 30 times in back while lying in bed. No evidence found. Multi-million damages claim pending. No criminal charges filed.

– James Bailey, 30, September 22, 1988, resisted arrest while standing on father's porch, shot to death. Civil suit pending. Criminal investigation begun but no charges filed.

Mr. PANETTA. I will be happy to review it in conjunction with the Attorney General. I am sure that this Attorney General would share the same concerns that you do.

I suspect one of the problems we are going to run into is the problem of resources at the department. One of the interesting things we are finding with the Department of Justice budget is that because of the construction of so many prisons that have been put in place over the last few years, that just to get the personnel to man those prisons is eating up a bigger and bigger portion of the budget of the Department of Justice. It is creating a problem.

Mr. HORN. Mr. Chairman, if I might make a suggestion, one way to get at these data, because what you have mentioned are strictly the ones coming to the Federal Government, there are also thousands of cases going through various types of appeal to local governments, those that have a police advisory commission.

One thing we ought to do if we are not doing it, and I don't think we are, and that is in the uniform crime reports where the FBI collects the data from all over the country, we ought to have a column that says how many complaints are filed on different types of police abuse. That way you would at least see the numbers, and then we could follow it up, how many cases were taken, how were the cases decided, four simple questions.

Mr. CONYERS. We have a bill that I want to send over to you, Steve, that tries to add that requirement.

The gentleman from Pennsylvania, Mr. Clinger.

Mr. CLINGER. Thank you, Mr. Chairman.

I just want to thank our witnesses for being here this morning.

Earlier this week Members had a chance to meet with Tom Mann of Brookings and we were discussing oversight in general and how this whole reinventing government exercise may go down. He focused on something I think is significant, because the problem is created by us in part and by you in part, but it certainly affects the way you have to go about doing your business. And that is, we say that we can solve everything by getting rid of waste, fraud, and abuse, that that is the answer. The talk show hosts pick up on that. If you can just get rid of all this nonsense that goes on, the fraud and perks that are out there, that will solve the problem. And as long as we keep that myth alive, it is going to make your job that much tougher.

The bottom line is, we have to discuss entitlements. Nobody wants to talk about it, nobody really wants to deal with it, because it is the most sacred of sacred cows, you don't mention it. We share mutual responsibility here for keeping that myth alive and not facing up to it.

That is why the American people say—why there is such a schizophrenia with the American people. We want to cut it down but increase health care, increase this, increase that because all we have to do is cut waste and abuse.

I sympathize with your job, but we have a mutual responsibility to start leveling with the American people.

Thank you, Mr. Chairman.

Mr. CONYERS. Mr. Shays.

Mr. SHAYS. Just as Richard Nixon was only one who could recognize China, I think the Democratic administration is the only one

who can do this downsizing, because a lot of Republicans have said they would support doing this, and I think they would be hard pressed to oppose it.

Mr. CONYERS. That is an analogy that is very hard to top. I suppose we want to emulate that very important point in history.

We thank you very much, both of you, for being here.

The committee stands adjourned.

[Whereupon, at 12:55 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

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